



KOSÉ REPORT 2021

Integrated Report



Creating Beauty in a Sustainable World

For People

A source of adaptable products and services

Help create a world with true gender equality

Support for a beautiful, healthy and happy life

For the Earth

Use the theme of beauty to help solve environmental issues

Lower the overall environmental impact of business operations

Environmental programs in areas where KOSÉ operates

Statement of Purpose

Create a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence.

Editorial Policy

This report aims to provide stakeholders with a deeper understanding of the KOSÉ Group's activities by presenting not only financial information, but also non-financial information including management policies, strategies and our underlying rationale. Please refer to our website for information related to IR and sustainability.

Forward-Looking Statements

This report contains forward-looking statements about KOSÉ Corporation's future plans, strategies, and performance that are not historical facts. Risks and uncertainties resulting from changes in the business environment may have a significant effect on actual business results. Please also note that we shall not be held responsible for any omissions or errors in data and content in this document.

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KOSÉ Group's Mission

KOSÉ was founded amid Japan's post-war ruins, with the aim of using the power of cosmetics to create a brighter future. No matter what the situation, beauty provides sustenance to humankind. Even amid the present uncertainties of the COVID-19 pandemic, KOSÉ continues to help brighten the future for people around the world and for our precious Earth by sharing all of our wisdom as a company that creates beauty.

For People

KOSÉ uses the commitment to quality it has cultivated since its founding to continuously create unique, highly safe items.

KOSÉ values being a source of beauty for everyone, and helps create a world where people with diverse backgrounds and features can live confidently and beautifully.



The carefully selected materials that are indispensable for KOSÉ's manufacturing are part of the Earth's bounty.

We protect the global environment as we help create sustainable and beautiful value.



For the Earth

KOSÉ aims to grow through mutual support by earning the trust of all its stakeholders involved in manufacturing.



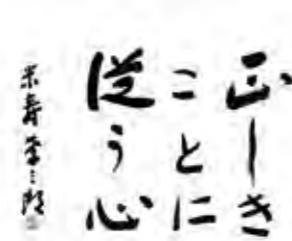
A History of Creating Beauty

For over 70 years, KOSÉ has created beauty underpinned by innovation and high quality. Many of the revolutionary products that we have launched were pioneering within the cosmetics industry, and they continue to be long sellers with a strong presence. We have continued to create new value that stays just slightly ahead of contemporary lifestyles.

• 1946 Foundation of KOSÉ



1951
Launch of *Perlight Skin*, a cosmetic cream containing photosensitizing dyes



Kozaburo Kobayashi founded KOSÉ in 1946, building trust by delivering high-quality cosmetics directly to retailers throughout Japan. KOSÉ introduced a contract sales system based on direct transactions with retail stores, which embodied his ideal of co-existence and co-prosperity as well as joint management of manufacturing and sales. Kozaburo's motto, "Mind to Follow the Right Path," serves as the fundamental policy of KOSÉ's Sustainability Policies and the foundation of KOSÉ's corporate spirit.

• 1970s-1980s Innovation and a Spirit of Challenge



1970
DECORTÉ
Pressed Powder



1974
SUMMERD



1975
ALPHARD R·C
Liquid Precious



1981
Sport Beauty
Suntan Milk



1985
SEKKISEI

In the 1970s and 1980s, we incorporated the findings of a series of innovative research and development projects in products that were industry firsts. These products included *SUMMERD*, a foundation that does not require the use of water, *ALPHARD R·C Liquid Precious*, the industry's first beauty serum, *SEKKISEI*, a lotion containing Japanese and Chinese herbal extracts, and the *DECORTÉ* high-prestige brand. At the same time, we established a Company-wide quality control system

that has steadily achieved results. In addition, we entered the cosmetaries* business with the establishment of KOSÉ Cosmeport Corp., which has expanded our portfolio to include items such as aging care cosmetics and high-quality cosmetics that are affordable for younger purchasers, thus enlarging our customer base.

* A coined term combining "cosmetics" and "toiletries"

• 1990s-2000s Establishing Our Presence



1992
DECORTÉ
MOISTURE LIPOSOME



1994
LECHÉRI
Water Pact UV



2002
Prédia
SPA et MER
Fango Double Cleanse



2004
DECORTÉ
WHITELOGIST



2005
ASTALUTION
Wrinkle Essence

We established our corporate message in 1991, and redefined it in 2020 as "Creating Beauty in a Sustainable World" to show our corporate stance as a "company that creates beauty." In the 2000s, KOSÉ used its track record as the basis for a full-scale entry into overseas markets. We have established subsidiaries in Hong Kong, South Korea, and China, and started sales in Vietnam in 2001, the Philippines in 2003, and Myanmar

in 2007. In Japan, we introduced the *JILL STUART* brand to the domestic cosmetics market in 2005. We also raised our presence by continuing to create unique cosmetics, including *ASTALUTION*, a high-quality, highly effective beauty serum containing a high concentration of astaxanthin, and *DECORTÉ MOISTURE LIPOSOME*, which applies the results of our research and development.

• 2010s onward Accelerating Globalization



2015
CLEAR TURN
Super Premium
Fresh Mask



2016
DECORTÉ
AQMW Eye Glow Gem



2018
ADDICTION
COMPACT ADDICTION



2019
DECORTÉ
AQ MELIORITY
Intensive Cream



2020
SEKKISEI
CLEAR WELLNESS series

In the 2010s, we began sales of *DECORTÉ* in Italy and North America. We used two methods to promote globalization: overseas expansion and portfolio growth through the addition of overseas brands. This included making Tarte, Inc., which sells skin care and makeup products mainly in the United States, a subsidiary in 2014. Today, we continue to develop brands and

products that have global appeal. In Japan, we opened directly managed Maison KOSÉ stores in Ginza in 2019 and Omotesando in 2020. In addition, we have rolled out multiple online channels to provide value from two perspectives through a combination of digital technology and hands-on experience while pursuing personalized customer experiences.

The KOSÉ Group's Sustainable Growth Process

Toward the achievement of its medium-to-long-term VISION 2026, the KOSÉ Group is taking on the material issues of the KOSÉ Sustainability Plan, which it formulated in 2020. In doing so, it will establish an unrivaled presence as a "company that creates beauty" while working to deliver unique value and gain the appreciation of customers worldwide.

Social Issues (Risks and Opportunities Recognized by KOSÉ)

People & Society

- Changes in the international economic balance
 - Declining population and birthrate and aging population in Japan
 - Interaction of populations through globalization
 - Interaction of people with diverse backgrounds and features
 - Blurring of industry boundaries
 - Response to IoT and digitalization
 - Expectations for Japanese quality
 - Stronger oversight of corporate governance systems
- and others

Environment

- Climate change (intensifying and more frequent abnormal weather)
 - Marine plastic problem
 - Depletion of natural resources
 - Emerging water resource risks
- and others

Strengths of the KOSÉ Group (Sources of Value Creation)

Brands with Long Histories and Numerous Long-Selling Items

- Unique Brand Marketing
 - Research and Development
 - Commitment to Quality
- A Management Base Unique to a Family-Owned Business

Our Current Position

Net Sales	Operating Margin	Overseas Sales Ratio
¥279.3 billion	4.8%	40.1%

E-Commerce/
Travel Retail Sales Ratio
30%



Our Targeted Position (VISION 2026)

Net Sales	Operating Margin	Overseas Sales Ratio
¥500.0 billion	16% or higher	50% or higher

E-Commerce/Travel
Retail Sales Ratio
25% or higher

Euromonitor Premium Beauty
and Personal Care Ranking
Within the Top 8

Our Medium-to-Long-Term Vision

VISION 2026

Evolving into a Company with a Global Presence

- A company dedicated to being a source of beauty for everyone
- A company that uses foresight for the constant creation of innovative value
- A company with diverse brands and human resources that can succeed worldwide
- A company that constantly attracts more customers and is a place where people are proud to work

What We Aim to Be

**A company with
exceptional
customer loyalty**

**A portfolio filled with
extremely appealing brands**

Phase III

Become a customer-driven company appreciated by people worldwide

Phase II

Increase KOSÉ's global presence and improve the customer experience

Phase I

Upgrade global brands and reinforce points of customer contact

KOSÉ Group

Sustainability Plan ▶ Pages 8-9

KOSÉ Sustainability Plan

The KOSÉ Group's Corporate Message, "Creating Beauty in a Sustainable World," serves as its guiding principle for sustainability, while its fundamental policy, "Mind to Follow the Right Path," has been the foundation of its corporate spirit since day one. Based on this policy, we have established the KOSÉ Sustainability Plan to make the future better for people and the environment. As we strive to achieve a sustainable society and fulfill our responsibilities as a member of the international community, we will make greater use of our sensuousness and intelligence with the aim of becoming a unique and trusted company with a global presence.

For People



For the Earth

Six Activity Themes



A source of adaptable products and services ▶ Pages 28-29

As a source of beauty for everyone, we accept differences in skin color, values, culture and other diverse characteristics to provide the value of beauty.



Support for a beautiful, healthy and happy life ▶ Page 30

We support lifestyles that allow people to enjoy health and happiness, which is a fundamental goal of life for all stakeholders worldwide, including future generations.



Help create a world with true gender equality ▶ Page 31

We will actively contribute to a future where there is no gender gap, not just at KOSÉ but throughout Japan and worldwide, as we work to make an impact by communicating our message to society.



We will conduct awareness-raising and other activities that help to eliminate the gender gap not only in the KOSÉ Group, but elsewhere in Japan and around the world.



Use the theme of beauty to help solve environmental issues ▶ Pages 32-33

We will help resolve environmental issues by continuing to exert an impact on society in ways unique to a company that creates beauty, such as the SEKKISEI SAVE the BLUE project.



Environmental programs in areas where KOSÉ operates ▶ Page 34

In locations where we have business bases for production, services or other purposes, we will work to preserve the environment, considering and giving back to local communities, with which we will coexist and prosper.



Lower the overall environmental impact of business operations ▶ Pages 35-37

We are thankful for the blessings of the global environment, which is the source of all healthy life, and will carry out activities to lower our environmental impact as much as possible.

Mind to Follow the Right Path

Fundamental Policy

Sound corporate governance
▶ Pages 45-55

Respect for human rights
▶ Page 38

Human resource development
▶ Pages 39-40

Business operations with transparency and fairness
▶ Page 43

Only the safest, most reliable, high-quality products
▶ Page 41

Customer's perspective
▶ Page 42

Process for Formulating the Plan

1 Identification of social and environmental issues

Identified issues to be addressed with reference to ISO 26000, the UN Global Compact, the SDGs, etc.

2 Definition of activity themes

Evaluated issues identified in Step 1 and selected six main activity themes

3 Approval

Reported to and approved by the Board of Directors and the Sustainability Committee

4 System for confirming progress and reviewing activities

The Sustainability Promotion Committee regularly confirms progress toward targets and reviews activities

Sustainability Promotion Systems

The KOSÉ Group has identified some sustainability-related issues in its management issues and has established a promotion system to resolve them. The Sustainability Committee is chaired by the President & CEO. Supervised by the Board of Directors, this committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. The Sustainability Promotion Committee establishes subcommittees and projects for separate themes based on the KOSÉ Group's sustainability strategies to promote cross-departmental activities that are more effective.

Sustainability Promotion Organization

Board of Directors

Management Committee

Sustainability Committee

Sustainability Promotion Committee

Model for Raising Brand Value

The KOSÉ Group provides unique value by continuously offering appealing items, created from sensuousness and intelligence, that help our customers' beauty shine forth from within. We will continue to sustainably create value by conducting manufacturing that is based on adaptability and underpinned by sustainability as we work to enhance our brand presence.

KOSÉ Sustainability Plan



KOSÉ Group Value

Brands with
Long Histories and
Numerous Long-Selling Items

DECORTÉ

SEKKISEI
雪肌精

tarte
high-performance naturals®

ADDICTION

Prédia

INFINITY
KOSÉ

ONE
BY KOSÉ

Visée

Value Provided

"A source of beauty
for everyone"



Brands at a Glance

To create attractive, valuable brands, KOSÉ strives to develop cosmetics under the two key words "intelligence" and "sensuousness." We currently meet the various needs of our customers with two groups of brands: diverse and highly distinctive individual brands, as well as the KOSÉ brands that bear the Company's name. We have also rolled out many brands overseas to establish a global presence.

Main Sales Regions Japan Asia North America & Others Europe

HIGH-PRESTIGE Brands

The Highest Levels of Quality and Service

A group of top-quality brands developed by integrating all of KOSÉ's cutting-edge technologies. They are sold at specialty cosmetics stores, department stores and other retail outlets that distribute exclusive brands. KOSÉ's specially trained Beauty Consultants offer meticulous counseling to help customers select the products that suit them best.

▲ High Added Value
Cosmetics Business



PRESTIGE Brands

High-Value-Added Cosmetics for Everyone

High-value-added brands, each with its own distinctive characteristics. They are sold through a wide range of channels, including specialty cosmetics stores, mass retailers, drugstores, and online.

▼ Basic Value
Cosmetics Business



COSMETARIES Brands

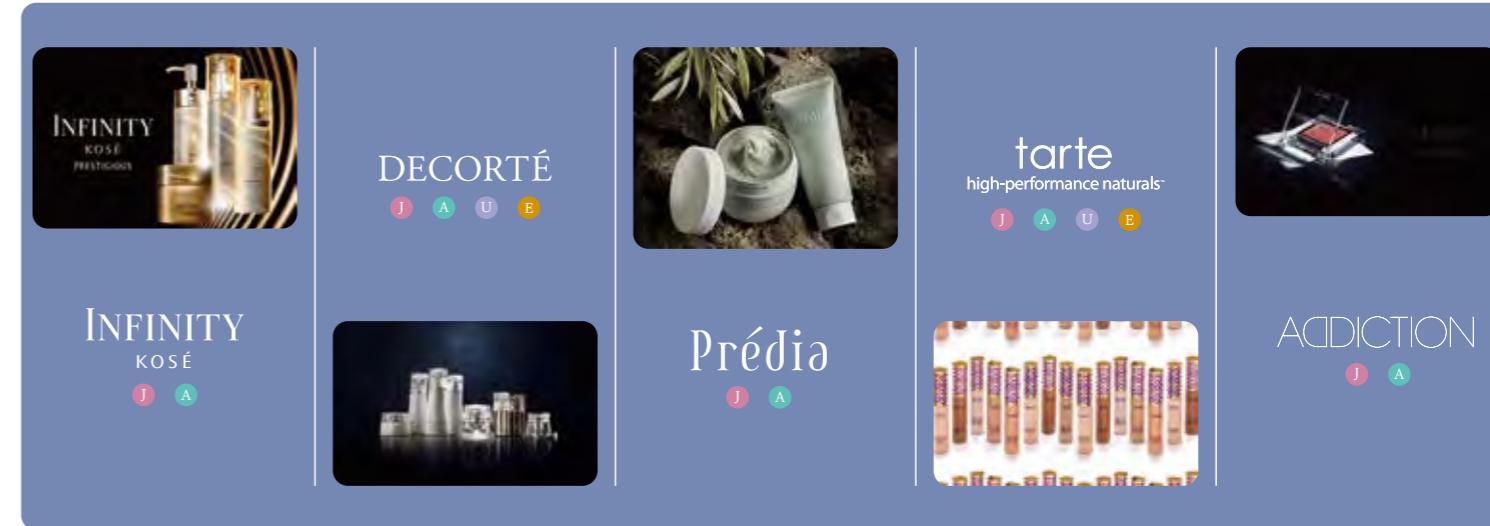
For Daily Life One Step Above

A group of self-selection brands, including cosmetics and toiletries such as shampoo, that are developed using the same approach as the one used to develop cosmetics. We call this category of products "cosmetaries." * We offer high-quality products at reasonable prices through mass retailers, drugstores, convenience stores and other retail outlets.

▼ Basic Value
Cosmetics Business



* Cosmetaries: A coined term combining "cosmetics" and "toiletries"



Value Creation Initiatives

The cosmetics we offer play a role in enriching lives by providing beauty. In addition to the face-to-face value we have traditionally emphasized, we are creating beauty experiences unique to KOSÉ using digital technology to link customer experiences. In this way, we continue to soothe and delight customers even during the COVID-19 pandemic.

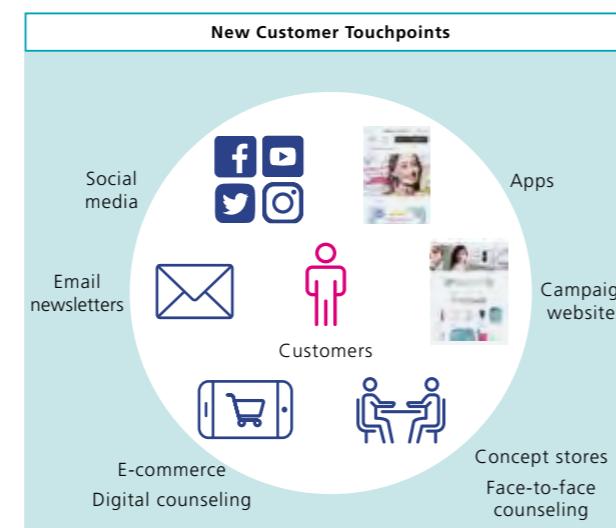
Providing Beauty Both Online and Offline

We are proactively creating a KOSÉ beauty platform that connects us with our customers in both the real and the digital worlds as we explore the potential for next-generation beauty experiences.

This platform provides new types of communication that merge the digital world and in-store experiences for omnidirectional, interactive connections with all customers through social media, campaign websites, our innovative Maison KOSÉ concept store and other methods.

Online, we offer the same high-quality counseling as in our physical stores, with enhanced, diverse beauty-related content that addresses customer needs. Offline, we offer a variety of beauty experiences that utilize digital technology.

▶ For details: <https://maison.kose.co.jp/site/>
(Japanese only)



Flagship Store for Experiencing Contact-Free Shopping

In December 2020, our flagship Maison KOSÉ Omotesando store opened.

The store is a customer touchpoint that plays a key role in the KOSÉ beauty platform and its "Find Your Own Beauty" concept. A distinctive feature of the store is that customers can enjoy a contact-free shopping experience utilizing digital technology in addition to directly experiencing products spanning our brand lineup. For example, there is a dedicated space for customers to communicate online as they sample the main products from each brand with peace of mind using auto-dispenser testers. The store also fully supports cashless payment methods for a secure shop environment suited to new lifestyles.

▶ For details, visit the Maison KOSÉ Omotesando store web page:
https://maison.kose.co.jp/site/p/flagship_store.aspx
(Japanese only)



Providing a Place to Shop during the State of Emergency

When people were asked to refrain from going out during Japan's state of emergency, we held a #StayHome campaign to expand shopping opportunities. In addition to increasing the number of brands available for purchase on our website Maison KOSÉ, we introduced features such as special content from beauty consultants and brand managers and instructional videos on beauty techniques. Customers responded positively to these measures.



Beauty Support for Front-Line Medical Workers

During the threat posed by COVID-19, we launched the "You are my HERO" support project in which we have been donating our cosmetics to medical professionals nationwide through the Nippon Foundation. Following the initial 150,000 items, in consideration of the long-term need for medical care that lies ahead and the large number of requests, we added another 970,000 items, for a total donation of more than 1 million cosmetic products.



▶ For details: <https://maison.kose.co.jp/site/p/hero.aspx>
(Japanese only)

Note: The application period for this project has ended.

Pursuing Beauty Experiences That Are Only Possible Face-to-Face

ALBION PHILOSOPHY, a new-format store from ALBION CO., LTD. has opened in Yokohama. The store combines an original treatment salon called THE BED and an open laboratory space where customers can see how cosmetics are made. As the name suggests, the store embodies ALBION's founding craftsmanship, customer-first service and other values.

The open laboratory is a revolutionary space where customers can experience the latest in skin research while talking directly to researchers and participate in the making of cosmetics. In addition, in the beauty and relaxation spa THE BED, customers can experience original facial and body treatments using top-class EXCIA skincare and other products with the superlative hospitality unique to ALBION, making it a place for quality experiences that are only possible face-to-face.

▶ For details: <https://www.philosophy.albion.co.jp/>
(Japanese only)



Interview with the President



Even as the COVID-19 pandemic is bringing about a complete change in lifestyles, KOSÉ is accelerating its reforms to continue to reliably provide the essential value of cosmetics—making the world a brighter place by bringing charm and color to our lives—and in so doing improve corporate value over the medium to long term.

Kazutoshi Kobayashi

President & CEO

K. Kobayashi

Q1

What are your thoughts on fiscal 2020?
What went well, and what issues remain to be addressed?

Even in the challenging business environment brought on by the COVID-19 pandemic, we have turned crisis into opportunity and energetically conducted reforms for borderless business expansion. KOSÉ will continue to accelerate the integration of online and offline activities.

In fiscal 2020, the global COVID-19 pandemic completely changed not just the business environment, but social conditions and lifestyles. During the pandemic, an increase in telecommuting reminded people of the importance of skin care. Customer needs for makeup changed significantly, and new demand arose for products such as transfer-proof lipstick and foundation that provides long-lasting coverage without coming off on masks. Nevertheless, a decline in consumption had a substantial impact on Japan's cosmetics market. In this severe environment, sales and profits decreased in each area of the KOSÉ Group's business, but we were able to secure ¥13.2 billion in operating profit by controlling costs. In the Chinese market, economic activity has normalized and there has been substantial growth centered on e-commerce and travel retail. In the Japanese market, however, I regret that integration of e-commerce and other online activities with offline activities was insufficient for meeting our goals. This issue needs to be addressed going forward.

KOSÉ has extensive experience in advancing by turning difficult situations into new opportunities, even in unprecedently severe business environments. By combining this experience with KOSÉ's unique strengths, we aim to expand borderless business even in the current business environment and will strongly promote reforms to become more resilient to risk. Going forward, we plan to conduct unique manufacturing that addresses changing customer needs, and in fiscal 2021, we are planning large-scale launches of items from multiple brands with different concepts, textures and functions. In addition, for the "clean products" market, where needs are growing mainly in North America and Europe, we have just launched and plan to carefully nurture the *CLEAR WELLNESS* series, which incorporates the concept of sustainability into the KOSÉ Group's flagship *SEKKISEI* brand.

Optimizing the beauty experience for each person requires meeting a wide range of needs through brands ranging from high-prestige to cosmetaries, and therein lies KOSÉ's unique strength. We will continue to create value that makes the most of KOSÉ's uniqueness.

Q2

What are the key points for becoming a company with a global presence and exceptional customer loyalty?

We will conduct manufacturing from the perspective of adaptability rooted in sustainability, with the aim of making KOSÉ indispensable to its customers.

The KOSÉ Group aims to be a company with exceptional customer loyalty that is known and admired by all, a company that stands apart as highly original and one of a kind. Moreover, we aim to be a company that customers consider irreplaceable, with a high repeat rate and customer retention rate. It is difficult for cosmetics to remain popular among customers for many years unless those cosmetics offer not only specific beautifying effects, but also elements that provide heartfelt satisfaction and enhance the quality of customers' emotional lives. Value with a deep appeal to all five senses is required. We want to have numerous brands and products that customers feel they can't do without, or to which customers return with relief after trying others. Having such products will make KOSÉ indispensable to its customers.

To achieve this goal, a vital part of our sustainability strategy is adaptability, which enables us to remain in tune with a wide range of values from a global and universal perspective. The wellspring of value creation for the KOSÉ Group, which has emphasized counseling sales for many years, is the Group's approach of continuously offering the value of optimal beauty based on an understanding of individual

differences in personality, values and other characteristics, with a dedication to being a source of beauty for everyone. Through our commitment to this process, I believe we can help create a world where people with diverse backgrounds and characteristics—including skin color, physical features, gender, sociocultural and geographical background by country or region, living environment, religion and creed—can live confidently and beautifully. However, this will not be easy to achieve. The KOSÉ Group deals with customers all over the world, and each member of the Group must truly understand and respect individual differences (diversity) and accept those differences (inclusion) in carrying out their respective missions every day. I consider cultivating such a corporate culture to be one of my core duties as president. To that end, I am constantly engaging in dialogue both inside and outside the KOSÉ Group to convey my message about our approach. To embody its Corporate Message of "Creating Beauty in a Sustainable World," KOSÉ will continue to conduct manufacturing and provide services based on adaptability that is rooted in sustainability to deliver the value of beauty to all.

Q3

You have formulated the KOSÉ Sustainability Plan. What issues does it address and what activities will you conduct?

We have set six activity themes for the realization of our Corporate Message of "Creating Beauty in a Sustainable World." We aim to help achieve a sustainable society and grow our business through a story that is unique to KOSÉ.

The KOSÉ Sustainability Plan, which we formulated in 2020, clearly sets forth the KOSÉ Group's intentions and initiatives to help realize a sustainable society and grow our business, and summarizes specific goals leading up to 2030. We established our Corporate Message when we introduced our corporate identity in 1991 and redefined it in 2020 as "Creating Beauty in a Sustainable World." The Corporate Message serves as the guiding principle of the plan, which lists the six activity themes under the two perspectives of "For People" and "For the Earth" to further promote unique activities befitting the KOSÉ Group. Adaptability, which I mentioned earlier, is also one of the themes.

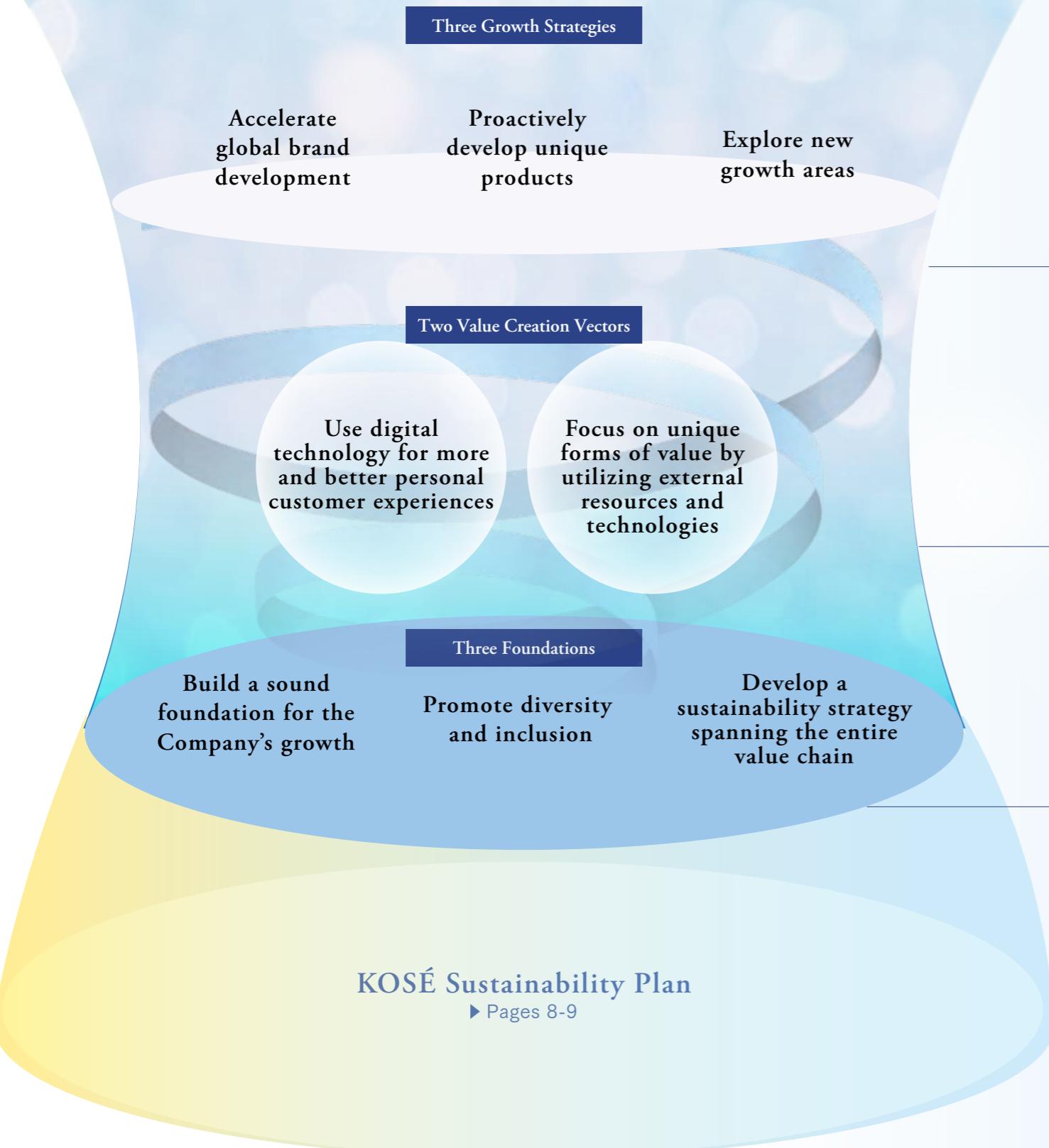
The origins of KOSÉ go back to 1946, when founder Kozaburo Kobayashi started business with a limitless passion for cosmetics that give people dreams and hopes. Since then, we have steadily grown as a company that creates beauty by creating a culture and values embodying a distinctive beauty through a sophisticated fusion of sensuousness and intelligence. In other words, the KOSÉ Group is aiming for a future in which

everyone can live with confidence, vitality and peace of mind in a thriving natural environment on our irreplaceable, beautiful Earth. In formulating the six activity themes of the KOSÉ Sustainability Plan, our approach was not based on how many of the 17 SDGs we could help achieve; rather, we selected initiatives that were sustainable from a medium-to-long-term perspective based on the unique concerns of the KOSÉ Group as a provider of the value of beauty. In addition, I believe that the concept "leave no one behind," which is a cornerstone of the SDGs, is synonymous with the KOSÉ Group's concept of adaptability in its manufacturing. The ultimate purpose of our adaptability initiatives is to transcend differences in values and other personal characteristics to deliver the value of personalized beauty, treasuring each customer's "natural self" while helping them become their "ideal self." We will remain true to our Corporate Message as we accelerate our sustainability initiatives to help achieve a sustainable society and grow our business. You can expect more great things from the KOSÉ Group.

Overview of Growth Strategies

By incorporating a perspective of sustainability in all activities for VISION 2026, the KOSÉ Group will grow its business as it helps to achieve a sustainable society.

VISION 2026 Basic Strategies



Fiscal 2020 Progress and Initiatives Going Forward

Three Growth Strategies	
Fiscal 2020 Progress	Fiscal 2021 Initiatives
<ul style="list-style-type: none"> Conducted rebranding of SEKKISEI Developed functional cosmetics adapted to mask-wearing Carté HD created a market by providing medicinal value 	<ul style="list-style-type: none"> Make strategic investments in the growing Chinese and travel retail markets Expand the presence of global brands
<ul style="list-style-type: none"> Provided beauty attractions and digital experiences at Maison KOSÉ Collaborated with companies in other industries (blueqat, Sunshine Delight, Casio, Panasonic) 	<ul style="list-style-type: none"> Provide new value in customer service through an online counseling system Utilize external resources and technologies in manufacturing
<ul style="list-style-type: none"> Carried out organizational changes to strengthen the sales infrastructure in Japan Promoted digital transformation in marketing 	<ul style="list-style-type: none"> Build a sustainable production system including the Minami Alps Factory Invest resources in growth areas in conjunction with improved human productivity

Sustainability Initiatives

Fiscal 2020 Progress		Fiscal 2021 Initiatives
For People <ul style="list-style-type: none"> Codified adaptability concept Formulated systems for diverse work styles Received external recognition for promoting women's participation and advancement in the workforce 		<ul style="list-style-type: none"> Start development of products and services based on adaptability Conduct in-house training on diversity and inclusion, respect for human rights and other topics
For the Earth <ul style="list-style-type: none"> Procured renewable energy as a climate change countermeasure Revised CO₂ emissions reduction targets and acquired international certification Conducted various resource recycling measures including container collection 		<ul style="list-style-type: none"> Conduct scenario analysis in line with TCFD recommendations and disclose information on business risks and opportunities from climate change Reduce volume of waste and promote resource recycling measures

Strategies by Region

Japan

Review

- Used the COVID-19 pandemic as an opportunity to conduct reforms and made meaningful investments
- Created unique value in cooperation with Milbon Co., Ltd. and Maruho Co., Ltd.
- Growth in the e-commerce channel as people voluntarily refrained from going out
- Rapid recovery of mainstay brands
- Reinforce domestic sales infrastructure to prepare for a full-scale recovery

Key Initiatives

Sales in Japan



Strategies Going Forward

Despite uncertainty, we forecast a gradual recovery in the Japanese economy. In the third quarter of fiscal 2020, *DECORTÉ* and *ALBION* made a rapid recovery in the specialty cosmetics store channel, and fourth-quarter sales at department stores also rebounded. We aim to improve profitability by continuing to reinforce our sales infrastructure to prepare for a full-scale recovery.

E-commerce sales were strong in fiscal 2020, due in part to the COVID-19 pandemic, and we will continue to make strategic investments in this area in fiscal 2021 and thereafter. In addition to existing e-commerce sites for *Maison KOSÉ*, *ADDICTION* and *JILL STUART*, an official *SEKKISEI* online shop opened on April 13, 2021. We aim to communicate and spread understanding of brand value by projecting brand strategies through these sites.

In addition, the *KOSÉ* e-commerce platform we launched on April 20, 2021 has been introduced primarily in the specialty cosmetics store channel, while *DECORTÉ* can also be purchased online. We plan to expand the platform's functions and are promoting introduction at more locations.



New *DECORTÉ* fragrance series *KIMONO*

We will provide new value in customer service by offering more personalized customer experiences both in the digital world and in physical stores by building new lines of communication through online counseling, among other measures.

For our domestic sales infrastructure, we will work to reinforce our business foundation through measures including promoting the *KOSÉ* e-commerce platform, establishing a new operating structure and wide-area organizational structure, and facilitating diverse work styles among our Beauty Consultants.

In May 2021, we rebranded the *FASIO* makeup brand, making it our first effort for a rapid recovery of mainstay brands that faced tough conditions during the COVID-19 pandemic. We will make further advances in product performance for the brand, which primarily targets women in their twenties, for a major transformation and evolution into a brand that faithfully conveys the user's individuality and unique appeal.



The *FASIO* brand faithfully conveys the user's individuality

Highlights

Carté HD Addresses Market Needs and Improves Customer Quality of Life

A high-performance skin care brand launched in September 2020, *Carté HD* brings together the technologies and expertise of *KOSÉ* and Maruho Co., Ltd. for a new approach to skin care that utilizes the sensuous value of cosmetics and the functional value of medicinal products. The lineup includes lotions and emulsions with high moisturizing performance to provide total, meticulous care for each customer's symptoms, concerns and everyday skin condition. The brand name, derived from the phrase "à la carte," reflects its purpose of providing skin care tailored to specific customer concerns.



Carté HD high-performance skin care line

Asia

Review

- Substantial growth centered on e-commerce and travel retail in China

Key Initiatives

- DECORTÉ*: Further expansion of presence in China
- Tarte*: Advance into China through cross-border e-commerce
- Rollout of new travel retail counters

Sales in Asia



Strategies Going Forward

The Asian market grew substantially in fiscal 2020, centered on e-commerce and travel retail, as economic activity returned to normal in China, where COVID-19 was suppressed at an early stage. In the rest of the region, conditions remain severe although sales have bottomed out.

We have been working to expand our presence in the Greater China market and will continue our focus there as a pillar of our growth strategy. Specifically, we have set our sights on China and the travel retail market, and we will revamp a portion of our portfolio of flagship global brands as we invest proactively for further growth.

Specific measures for fiscal 2021 will include stepping up our rollouts at department stores of *DECORTÉ* and *SEKKISEI* as

well as *KOSÉ* global sales counters that feature *INFINITY*. In the travel retail business, in addition to increasing the number of counters for *DECORTÉ* and *SEKKISEI* on Hainan Island and in cities, we plan to open a retail outlet for *ALBION* on Hainan Island.

We rebranded and relaunched *SEKKISEI* in September 2020 as a sustainable brand, and will step up our rollout of the *SEKKISEI CLEAR WELLNESS* series as a "clean products" brand at Sephora outlets. Together with *SEKKISEI MIYABI*—the *ne plus ultra* of the lineup—and the current *SEKKISEI*, the new series will enhance the brand's presence and added value.

E-commerce rollouts for both *DECORTÉ* and *ALBION* will focus on Tmall.com. We also plan to open a flagship store on

Tmall in August 2021, featuring *INFINITY*, *ONE BY KOSÉ* and other prestige KOSÉ brands. In addition, we plan to begin sales

of *Tarte* in China through cross-border e-commerce with the aim of maximizing the demand we attract in China.



Rollout in China (as of December 31, 2020)

	<i>DECORTÉ</i>	<i>ALBION</i>	<i>SEKKISEI</i>	<i>ADDICTION</i>	<i>KOSÉ</i>
Department stores* and others	38	9	11		74 (including 6 global sales counters)
Online	Tmall (focused rollout)	Started sales on Tmall in fiscal 2020	Tmall, JD.com and others	Tmall Global	
Travel retail*	Hainan Island: 8 Cities: 16		Cities: 2		
Plan for Fiscal 2021					
	<i>DECORTÉ</i>	<i>ALBION</i>	<i>SEKKISEI</i>	<i>ADDICTION</i>	<i>KOSÉ</i>
Department stores* and others	Up to 50	Focused rollout at prominent stores	Up to 15 (increase sales at Sephora outlets as a "clean products" brand)		74 (including 12 global sales counters)
Online	Tmall (focused rollout)	Tmall (focused full-scale rollout)	Tmall, JD.com and others	Tmall Global	Plan to open flagship prestige KOSÉ store on Tmall in August 2021
Travel retail*	Hainan Island: About 11 Cities: 17 or more	Start sales on Hainan Island	Hainan Island: 1 Cities: 2		

* Number of counters

Highlights

Stepping Up Sales of *DECORTÉ* in the Global Market

DECORTÉ celebrated its 50th anniversary in December 2020. The brand is currently sold in 14 countries and regions including China, which is driving sales. For the 50th anniversary, we positioned *DECORTÉ* at the core of KOSÉ's high-prestige strategy in the global market under the brand message "Embrace your true beauty" with the aim of gaining the support of affluent customers worldwide who seek high added value.



U.S. actor Brie Larson, the *DECORTÉ* brand muse

North America & Others

Review

- E-commerce sales grew substantially
- Almost all stores that had temporarily closed due to the pandemic reopened and sales began recovering

Key Initiatives

- Develop new sales channels for *Tarte* in the United States
- Expand the sales network for *Tarte* in Europe

Sales in North America & Others



Strategies Going Forward

In fiscal 2020, e-commerce sales in North America and other markets were strong, but a second wave of COVID-19 infections forced many stores to close temporarily or shorten their business hours, which had a significant impact on business performance.

In fiscal 2021, the spread of infection is slowing in the United States and personal consumption is recovering, supported by the government's economic measures and by vaccinations.



splash into SEA must haves set



tartelette™ in bloom clay palette

We will continue to aim for further growth for *Tarte* through its e-commerce site [tarte.com](#) as well as retailers and the 24-hour TV shopping channel QVC.

We will also continue to expand the sales network for *Tarte* in fiscal 2021 and beyond. Specifically, we aim to grow by expanding distribution in the United States and selling products at more Sephora outlets in Europe. In addition, we intend to accelerate growth by focusing on the skin care category, among other measures, to further enhance our global presence.

Progress of the KOSÉ Sustainability Plan

In the KOSÉ Sustainability Plan, we have set medium-to-long-term targets to be achieved by 2030. Each year, we summarize the status of our efforts and announce our progress toward these targets.

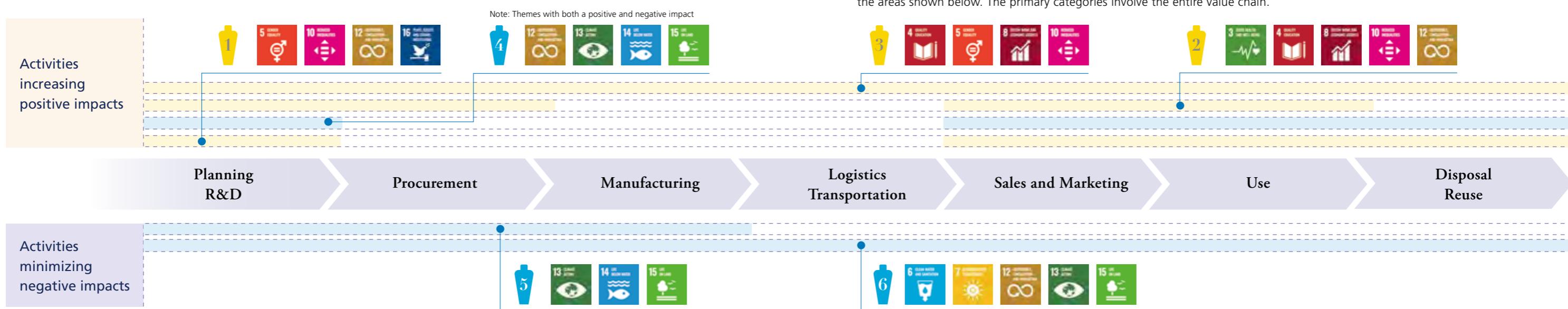
For People: Medium-to-Long-Term Targets of Activity Themes and Fiscal 2020 Progress

Activity Theme	Indicators	Target	Achieve by	Fiscal 2020 Progress	Relevant SDGs
1 A source of adaptable products and services	Ratio of products and services reflecting the concept of adaptability	100%	2030	<ul style="list-style-type: none"> Defined three concepts of adaptability Established "Adaptability∞" ("Adaptability Eight") Carried out specific activities for individual products and services 	
2 Support for a beautiful, healthy and happy life	Implementation of specific activities	30 activities or more	2030	<ul style="list-style-type: none"> Conducted demonstration trial for establishing the habit of applying sunscreen from early childhood Supported sports through participation in professional dance league Launched KOSÉ Maruho Pharma Co., Ltd. products Supported medical professionals and care workers 	
	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> Promoted purchase of certified sustainable palm oil (RSPO* Credits through Book and Claim model) * Roundtable on Sustainable Palm Oil 	
3 Help create a world with true gender equality	Gender equality awareness	100,000 people or more	2030	<ul style="list-style-type: none"> Launched "KOSE IKUPAPA Support System," to encourage male employees to take paternal leave Conducted seminars for building career awareness Provided tuition support (scholarships) at a girls' junior high school in Tanzania and commemorative gifts to graduates (SEKKISEI) 	

For the Earth: Medium-to-Long-Term Targets of Activity Themes and Fiscal 2020 Progress

Activity Theme	Indicators	Target	Achieve by	Fiscal 2020 Progress	Relevant SDGs
4 Use the theme of beauty to help solve environmental issues	Area planted with coral reefs	20,000 sq. m (About 53 times the area of a 25 m regulation-size swimming pool)	2030	<ul style="list-style-type: none"> Promoted the SEKKISEI SAVE the BLUE project 	
5 Environmental programs in areas where KOSÉ operates	Increase in awareness of environmental issues through products and services	10 million people or more	2030	<ul style="list-style-type: none"> Activities involving the SEKKISEI brand Provided shopping baskets made from recycled marine plastic under the SEKKISEI brand 	
6 Lower the overall environmental impact of business operations	Local community environmental conservation activities	20 activities or more	2030	<ul style="list-style-type: none"> Environmental conservation activities at overseas sites Cleanup activities in communities where KOSÉ production bases are located 	
	Reduce SCOPE 1 and 2 CO ₂ emissions	-35% (target for total emission reduction vs. 2018)	2030	<ul style="list-style-type: none"> Switched all purchased electricity at Gunma Factory to electricity from renewable energy sources Conducted fundamental review of number of sales vehicles used 	
	Reduce SCOPE 3 CO ₂ emissions	-30%	2030	<ul style="list-style-type: none"> Began collection of used product containers 	
	Sustainability-conscious design for plastic packaging materials	100%	2030	<ul style="list-style-type: none"> Began use of biomass plastic in SEKKISEI CLEAR WELLNESS Reduced use of plastic containers 	
	Reduce use of water resources through responsible practices	-12% (Production units vs. 2018)	2030	<ul style="list-style-type: none"> Promoted the 3 Rs (reduce, reuse, recycle) for water resources 	
	Responsible waste reduction/recycling	20 activities or more	2030	<ul style="list-style-type: none"> Repurposed trial-run cosmetics for making paint Began collection of used product containers 	
	Non-recyclable waste	0%	2025	<ul style="list-style-type: none"> Assessed Company-wide waste situation at production bases 	
	Responsible palm oil procurement	100%	2030	<ul style="list-style-type: none"> Promoted purchase of certified sustainable palm oil (RSPO Credits through Book and Claim model) 	

Activity Themes and Their Impact on the Value Chain



The activity themes defined in the KOSÉ Sustainability Plan involve the entire product life cycle and value chain from planning, R&D and raw material procurement to disposal or reuse, but we expect them to have the greatest impact on our value chain in the areas shown below. The primary categories involve the entire value chain.



For People

1 A Source of Adaptable Products and Services

Dedicated to being a source of beauty for everyone, the KOSÉ Group strives to offer the value of "beauty" while continually working to recognize the unique identity and values of each individual. By offering society beauty based on the concept of adaptability that provides a wide range of choices, we will help create a world where people with diverse backgrounds and characteristics—including skin tone and hair color, physical features, gender, sociocultural and geographical background by country or region, living environment, religion and creed—can live confidently and beautifully.

Our Three Concepts of Adaptability

To become even closer to customers around the world, the KOSÉ Group has summarized its global and universal approach to customers in one word: adaptability. Adaptability in our products and services enables customers to experience beauty in the best way for them. At the core of such adaptability is embracing diversity—in other words, being a source of beauty for everyone, as stated in VISION 2026.

Our approach is based on three concepts for describing the diversity at the core of our adaptability, and we are carrying out initiatives for each. The first is "physical." We create value tailored to the physical attributes of each individual, such as gender, biological sex, age, and skin and hair type. The second is "mind." We create value that respects diverse ideas, beliefs and gender identities, and it is not confined to specific ideas or values. The third is "social attributes." We create value from social and global perspectives that transcend race, language and country.

Based on these three concepts, we have established eight initiatives. These are 1) Excluding no one, 2) Blending diverse cultures, 3) Adapted to all skin and hair types, 4) User-friendly and simple, 5) Unfettered by gender, 6) Respectful expression, 7) Harmonizing with personal beliefs, and 8) Transcending age

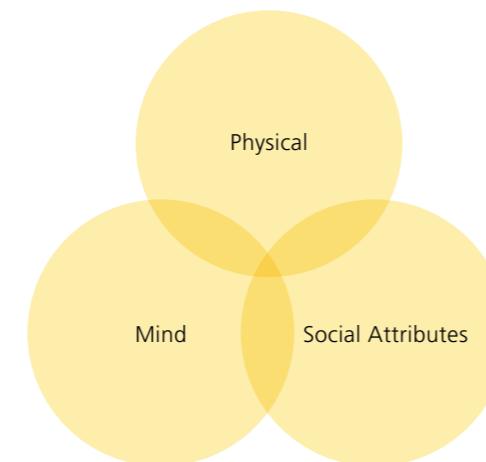
Eight Initiatives

Adaptability

- | | | |
|--|--|---|
|  Excluding no one |  User-friendly and simple |  Harmonizing with personal beliefs |
|  Blending diverse cultures |  Unfettered by gender |  Transcending age constraints |
|  Adapted to all skin and hair types |  Respectful expression | |

constraints. We call these themes "Adaptability∞" ("Adaptability Eight"). We will focus on these key concepts as the basis of the value we create in our activities and initiatives as we develop and provide products in our dedication to being a source of beauty for everyone.

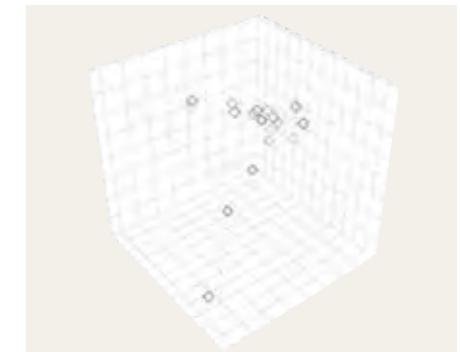
Our Three Concepts of Adaptability



Developing Foundation to Bring Out the Beauty in Each Individual's Skin

Foundation development at the Makeup Product Development Laboratories of KOSÉ Product Development Laboratory is one example of product design tailored to various skin tones and types, and is based on the latest global skin tone research.

Latent needs are shifting away from foundations that simply match skin tone toward those that achieve each individual's ideal look and complement the person's natural skin tone and texture. KOSÉ's unique perspective came from noticing that the same skin tone could appear dramatically different depending on ambient light and lighting. This led us to begin research focusing on the relationship between skin tone and light. First, to capture the characteristics of diverse skin tones around the world, we gathered data on the optical properties of the skin of approximately 700 people, and used statistical analysis to group skin tones/types with similar optical properties. At this stage, we found that the skin concerns of people with similar skin characteristics were often similar, so we analyzed the optical properties that made skin tone/type look beautiful within each group. In addition to this approach, we studied preferences and conducted sensitivity research to better understand what kind of finished appearance and ideal look customers from around the world desire. Based on the insights we obtained, we are developing technologies for foundation that will bring out the beauty in each individual's skin.



Data map of optical properties of skin



Interview to investigate tonal preferences

Examples of Adaptability Initiatives in Products

Braille Packaging

KOSÉ Cosmeport Corp. has adopted universal design including Braille labels, to make products that are more user-friendly for everyone, starting with people with visual impairments. In fiscal 2020, we launched disinfectant products with Braille labelling.



Genderless Concept Magnifique

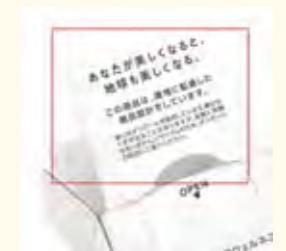
KOSÉ Cosmeport has introduced a new genderless concept brand that goes beyond conventional ideas of gender, while still being based on high-quality standards that come from ongoing research into women's beauty.



Use of Universal Design Font

For descriptions on the outer packaging of products, primarily KOSÉ's prestige brands, we switched to a font and font size that are easier for anyone to read, thus enhancing usability for all customers.*

* Introduced for certain new products released September 2020 or later



Please visit our website for information about our adaptability initiatives.

► For details: <https://www.kose.co.jp/company/en/sustainability/adaptability.html>

2 Support for a Beautiful, Healthy and Happy Life

The achievement of health and happiness is one of life's fundamental goals. KOSÉ's efforts to support this goal reflect our consideration not only for the customers who use our products and services, but for all our stakeholders, people in our value chain around the world and the next generation. Through these activities and our business operations, we strive to help solve social issues in ways such as improving quality of life, promoting health awareness through support for sports, raising the awareness of the next generation and promoting responsible procurement that includes respect for human rights.

Education on UV Protection in Preschool Facilities

According to the World Health Organization, roughly half of an average person's lifelong exposure to ultraviolet radiation from the sun comes before the age of 18. To establish and promote the habit of applying sunscreen from early childhood, we are therefore collaborating on a project to protect beauty and health from UV rays based on a proposal from Sunshine Delight, Inc. that was chosen by the KOSÉ Accelerator Program* in fiscal 2019.

In Japan, clear understanding of UV protection from early childhood is not widespread, and adequate conditions for practicing sun safety are not well established. Proper UV protection beginning in early childhood can help prevent future skin problems. According to a questionnaire survey of 500 parents and guardians conducted by KOSÉ, 86% said that if sunscreen were available in preschool facilities, they would want their children to use it. Based on these comments and the opinions of nursery teachers, we produced educational materials to help children learn the importance of sun safety, and collaborated with Sunshine Delight to develop a gentle-formula sunscreen in a large-volume pump bottle. A demonstration trial conducted in fiscal 2020 confirmed that the use of educational tools such as songs and picture books was effective in getting children to adopt the habit of applying sunscreen themselves. Therefore, we made the decision to start a full-fledged business introducing educational materials and sunscreen as a set for preschool facilities.

This kind of sun protection awareness program for preschools helps teach the importance of using sunscreen, and encourages and supports children in practicing sun safety for themselves. At the same time, we will actively work to create new value that contributes to solving future skin problem issues.

* A program that solicits ideas and technologies from startup companies with the aim of creating new value. Under the program, participants from startup companies and employees of KOSÉ recruited via the Link in-house venture system, form collaborative teams to take on the challenge of new businesses.



Awareness-raising activities at a preschool

Preventing the Spread of COVID-19

Free Distribution of Alcohol-Containing Hand Sanitizer to Preschools

As part of our measures to prevent the spread of COVID-19, we provided alcohol-based hand sanitizer free of charge to preschools. Starting April 2020, we provided more than 30,000 bottles of hand sanitizer through Childsha Co., Ltd., which does business with many preschools, enabling nursery teachers and children to help prevent the spread of infection.

We will continue to take various measures to prevent the spread of COVID-19 and respond quickly to the changing pandemic situation.



Alcohol-containing hand sanitizer

3 Help Create a World with True Gender Equality

The growth of the KOSÉ Group will require the capabilities of every one of our more than 14,000 employees worldwide. In addition, as a company that creates beauty for people, we have continued to propose new value for the lives of many people. That is why we believe the messages we communicate to society will help create a future where there is no more gender gap, not only in Japan but all around the world. We promote and proactively engage in awareness-raising activities to help realize a society where everyone can play an active role regardless of gender.

Diversity & Inclusion Initiatives at KOSÉ

Workplaces in which employees can work energetically and in their own way are tied to the vitality of the whole company. Therefore, we offer flexible work arrangements to accommodate the life events of individual employees, regardless of gender, and have established workplace environments that empower all employees to perform to their full potential.

Career Planning Seminar to Help Employees Be Who They Want to Be

Proactively designing a career plan is important for employees to realize their aspirations and to become who they want to be. To help in that process, we conducted a career planning seminar focused on mid-level female employees that is aimed at cultivating employees who act independently from a management perspective, with external director Yukino Kikuma as a lecturer. By encouraging employees to look at their careers from new angles and fostering the awareness and climate for them to build their own careers and grow, we will cultivate people who build experience and succeed while planning for their future career positions.

We conduct a wide range of programs, including training designed to build motivation, seminars on the importance of diversity in the workplace and career plan development, and promote people to leadership positions based on appropriate employee evaluations.



More than 800 employees participated in the career planning seminar, online or in-person

Introduction of "KOSÉ IKUPAPA Support System" for Men

We believe that active participation in childcare by fathers is important for both fathers and mothers to be active in the workplace. So, in addition to supporting female employees, we have introduced a paternal leave system. In FY2020, the "KOSÉ IKUPAPA Support System," which is a system to support fathers of newborn babies, was introduced to encourage male employees to take paternal leave. In order to raise awareness among employees and their superiors, KOSÉ provides individual support, such as advice on how to use the system, and provides support grants to male employees taking paternal leave.



KOSÉ's support system for childcare leave for men is aimed at promoting equality of participation by men and women both at home and in the workplace.

Please visit our website for information about other diversity and inclusion initiatives.

► For details: <https://www.kose.co.jp/company/en/sustainability/diversity/>

For the Earth

4 Use the Theme of Beauty to Help Solve Environmental Issues

It is important to us to provide all kinds of value related to beauty through our business activities, beyond just cosmetic products that are an intimate part of consumers' lives. We will continue to conduct activities that help solve environmental issues by providing added value in products and services such as the *SEKKISEI* brand, with beauty as the central theme. By communicating these activities to the general public, we will also make more consumers conscious of environmental issues and foster awareness of solving these issues under the theme of beauty.

Rebranding of *SEKKISEI* to Incorporate Sustainability

At KOSÉ, we believe that showing consideration for the environment in the products we provide is not only important, but that it also provides an opportunity to increase customer awareness of environmental issues. That is why our development makes a conscious effort to address various environmental issues from the product design stage. *SEKKISEI* recently underwent its first rebranding since its launch 35 years ago, and for the new *CLEAR WELLNESS* product series, we incorporated many sustainability-related elements.

Specifically, we made changes to containers and packaging materials that will contribute to reduced CO₂ emissions. These changes include adopting biomass plastic containers, reducing plastic usage in packaging materials, and discontinuing the use of clear plastic film on outer packaging. For outer packaging, we began using corrugated cardboard, which has a recycling rate above 90% in Japan. Furthermore, for the

printing on products, we adopted biomass ink, which is more biodegradable and thus has less environmental impact, and on outer packaging, we have adopted the universal design font that we have selected for use throughout KOSÉ. We replaced package inserts and pamphlets with QR codes that link to digital versions.

We will continue to broaden our sustainability promotion activities¹ with *SEKKISEI* as the representative brand driving those activities.

1. KOSÉ Sustainability Plan (announced in April 2020) https://www.kose.co.jp/company/en/content/uploads/2021/05/210430_kose_sustainability_plan_EN.ver4_.pdf



Outer packaging
made of corrugated
cardboard

Promoting Recycling with Plastic Container Collection Program

To help reduce the use of plastic, an issue of international concern, we are also focusing our efforts on collection and recycling of used containers. With *SEKKISEI*, we will expand the *SEKKISEI* Earth Beauty Program,² a plastic container collection program. Customers can support the program by depositing used KOSÉ brand skin-care containers³ into an original collection box.⁴ For recycling, we partner in a collection program operated by TerraCycle Japan in which collection partners earn redeemable points according to the amount collected. We donate our points to SeaSeed, a partner of the *SEKKISEI* SAVE the BLUE project, to cover the cost of growing corals in Okinawa, thereby helping to protect the natural environment. Through this recycling program, we are helping to take care of valuable finite resources and contribute even more to the realization of a sustainable circular economy. In the future, we will consider expanding this program internationally.

In addition, we are a partner in the Loop circular shopping platform operated by Loop Japan. We are currently developing a reusable cosmetics container, and aim to begin sales using the Loop platform.

2. Name changed from *SEKKISEI* Recycling Program (August 2020)
3. Plastic containers only
4. In KOSÉ sales areas of 33 AEON and AEON Style stores throughout Japan



Original collection box

Environmental Conservation Activities through the *SEKKISEI* SAVE the BLUE Project

KOSÉ is conducting the *SEKKISEI* SAVE the BLUE project, which focuses on environmental conservation and awareness-raising activities. In this project, we donate a portion of sales from selected *SEKKISEI* brand products purchased by customers during seasonal campaigns to environmental conservation efforts. Since 2009, funds from the summer campaign have been donated to a coral-planting program in Okinawa, and in 2018, the tenth year of the project, we also launched a winter campaign to fund forest conservation activities in the Tohoku region, further developing this as a project to protect our blue planet. Globally, we are developing activities in nine countries and regions⁵ that are based on the unique features of each area.

5. China, Taiwan, Hong Kong, South Korea, Thailand, Singapore, Malaysia, Indonesia and the United States



Fiscal 2021 campaign poster

Summer Campaign

Fiscal 2020 Number of corals planted: 636
Area: 3,878,493 sq. cm (approx. 1.03 times the area of a regulation-size short-course 25-meter pool)

Fiscal 2009-2020 total Number of corals planted: 17,978
Area: 109,072,619 sq. cm (approx. 29.0 times the area of a regulation-size short-course 25-meter pool)

Winter Campaign

Fiscal 2020 Donated a portion of sales to fund tree planting
Note: Tree planting was not done due to the COVID-19 pandemic.

Fiscal 2018-2020 total Number of trees planted: 418

From Cosmetics to Paint: Recycling Initiatives

In the quality control process, some cosmetic products never reach the market. For that reason, we are supporting a cosmetics recycling business conducted by MÄNGATA Corporation, a company that creates new value and enjoyment through initiatives such as making paint from unused or unwanted cosmetics. As a cosmetics company that creates beauty for people, KOSÉ supports the establishment of systems such as this one for repurposing cosmetics that are no longer useful, and sharing the importance of sustainable resource use with the general public.



Paints made from recycled cosmetics

5 Environmental Programs in Areas Where KOSÉ Operates

For the KOSÉ Group to carry out its corporate activities sustainably, we believe it is important to consider the environment in regions where we manufacture products or offer services, and to give back to those regions. We strive to protect the environment and work in partnership with stakeholders in the regions where KOSÉ operates.

Overseas Environmental Conservation and Donation Activities

The *SEKKISEI SAVE the BLUE* project, which KOSÉ initiated in Japan in 2009, was expanded to various other countries and regions starting in 2011. For a limited time each year, we donate a portion of sales from selected *SEKKISEI* products to environmental conservation programs according to the needs of each area. Employees of local subsidiaries also participate in activities such as tree planting and removing marine plastic from beaches.*

* In 2020, employees refrained from participating in activities due to the COVID-19 pandemic.



China	We donate a portion of sales from selected products to NPO-Green Life to cover the costs of desert greening in Inner Mongolia.
Taiwan	We donate a portion of sales from selected products to Taiwan Eco-Angel Environment Conservation Association to cover the costs of coral cultivation.
Hong Kong	In support of a coral planting project in Okinawa, Japan, we donate a portion of sales from selected products to cover the costs of coral cultivation.
South Korea	In cooperation with Tree Planet, an NPO that provides forest-building services, we plan to carry out "SEKKISEI forest-building" at Noeul Park (Sunset Park) in Seoul, and will continue to support tree planting activities.
Thailand	We donate a portion of sales from selected products to the Marine and Coastal Resources Research and Development Center, Eastern Gulf of Thailand to help protect sea turtles and preserve coral reefs around Koh Mannai, Rayong Province.
Singapore	We donate a portion of sales from selected products to the charity Garden City Fund to cover coral reef conservation costs.
Malaysia	We donate a portion of sales from selected products to the NGO Reef Check Malaysia for conservation of coral reefs off Terengganu.
Indonesia	Charitable activities were not carried out in 2020 due to COVID-19.
United States	We donate a portion of sales from selected products to the Coral Reef Alliance, an NGO.

Environmental Conservation Activities around Production Bases in Japan

In Japan, we are actively engaged in environmental conservation activities around production bases. Reflecting the importance we place on harmony with local communities, production departments carry out cleanup activities every month. We will continue this cleanup program to help beautify communities and conserve the environment as part of our overall contribution to society.



6 Lower the Overall Environmental Impact of Business Operations

Our beautiful global environment is the source of healthy lives for all of us. In addition, because many of the ingredients in cosmetics are obtained from nature, we benefit from the natural environment every day we do business. The KOSÉ Group is grateful for this benefit and therefore believes that it has a responsibility to reduce its environmental impact as much as possible to preserve nature—in other words, the global environment. We are now accelerating our initiatives to respond to the particularly pressing issue of climate change.

Initiatives to Address Climate Change

The KOSÉ Group conducted a material analysis of sustainability-related issues. As a result, in the KOSÉ Sustainability Plan, we positioned addressing the environment and climate change as an essential management issue in our efforts to drive business growth while helping achieve a sustainable society. In October 2020, we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and joined the TCFD Consortium, an organization of Japanese companies and other institutions that support the TCFD recommendations.

Based on the TCFD recommendations, we will disclose information to stakeholders on the business risks and opportunities caused by climate change from the four perspectives of governance, strategy, risk management and indexes/goals. We will also continue to make Group-wide efforts to reduce CO₂ emissions.

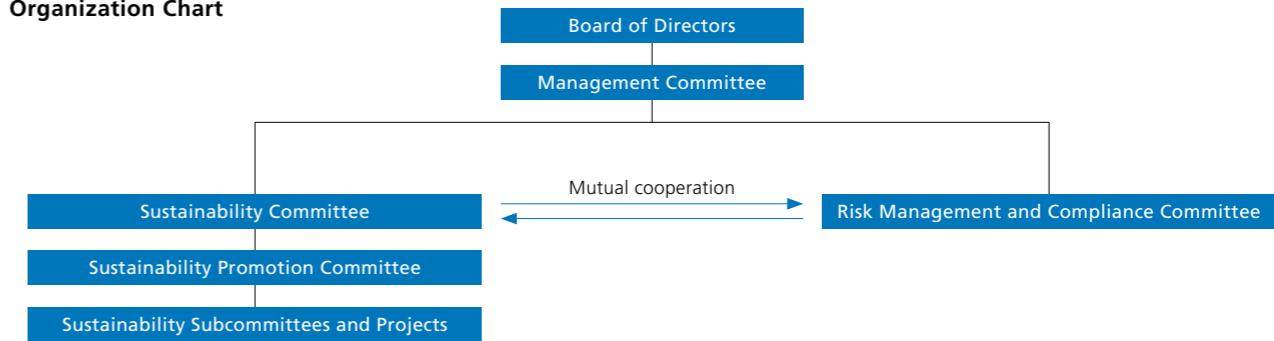


Governance and Risk Management

The KOSÉ Group views sustainability-related issues as management issues, and has established a system for promoting solutions to such issues. Specifically, we established the Sustainability Committee chaired by the President & CEO. This committee proposes sustainability strategies to and receives approval from the Management Committee, and then reports the results to the Board of Directors. As chairperson, the President & CEO is also responsible for evaluation and monitoring related to climate change. In addition, in fiscal 2020 we established subcommittees and projects for CO₂ emission reduction and other individual themes to promote more effective cross-departmental activities.

For organizational risks related to climate change, the Risk Management and Compliance Committee is in charge of enterprise risk management and leads the identification and assessment of risks at the corporate level. Among them we have made climate change an essential factor in our consideration of energy usage, CO₂ emissions, water consumption, and waste water. We take into account climate change-related physical risks in many areas of planning, including in our business continuity plan. The Sustainability Committee and the Risk Management and Compliance Committee are monitoring climate change-related issues based on these frameworks.

Organization Chart



■ Strategy (Scenario Analysis)

The KOSÉ Group is conducting scenario analysis in accordance with the TCFD recommendations to examine the transition risks and physical risks associated with climate change. In this analysis, companies evaluate the financial impact of climate change under the TCFD's scenarios of a 2°C and a 4°C rise in average global temperatures, and disclose information on their initiatives. We are also using the TCFD scenarios as a reference in examining business strategies to realize the KOSÉ Group's envisioned future for society and the planet. In the scenario analysis, we identify risks and opportunities in procurement

and demand for our products and services not just in the short term, but also with a medium-to-long-term view toward 2030 and beyond, based on the KOSÉ Sustainability Plan, which outlines the Group's sustainability initiatives and targets to achieve by 2030. We then prioritize and evaluate important factors. Furthermore, of these factors, we identify those with the greatest physical and transition impact as a measure for evaluating the potential impact of climate change on the KOSÉ Group. We also analyze the degree of financial impact of risks and opportunities.

The KOSÉ Group's Risks and Opportunities

Analysis	Risks/Opportunities	Effect	Size of Impact* on KOSÉ		Summary
			2°C	4°C	
Transition Risks	Shift in consumer demand to environmentally friendly products; decline in reputation due to passive response	Decrease in sales	++	—	In the 2°C scenario, a passive environmental response would lead to lower sales of our products as environmental awareness among consumers increases.
	Stronger restrictions on greenhouse gas emissions; introduction of carbon pricing (affecting KOSÉ and suppliers)	Increase in costs	++	—	In the 2°C scenario, the imposition of a carbon tax, including on suppliers, would lead to increases in our operating and procurement costs.
	Substitution of plastic materials due to introduction of restrictions on plastics	Increase in costs	++	—	In the 2°C scenario, stronger plastic regulations would make it necessary to procure biomass plastics and recycled plastics, leading to an increase in costs.
	Production restrictions due to introduction of restrictions on water intake and discharge	Decrease in sales	+	++	Water stress increases and the introduction of related water intake restrictions in the regions where we operate as a result of climate change, could lead to lost sales opportunities due to suspension of production operations. This impact would likely occur in the 2°C scenario, but we assume it would be even more significant in the 4°C scenario.
Physical Risks	Increase in raw material procurement risk due to climate change	Increase in costs	+	++	If the global yields of palm oil and other raw materials used in our products and containers change as a result of rising temperatures, our procurement costs could also change.
	Suspension of factory operations due to damage from floods or other disasters	Decrease in sales	+	++	If increasingly severe natural disasters affect any of our factories, sales of our products could decrease due to temporary shutdowns of factories.
	Damage to production facilities and supply chain disruptions caused by abnormal weather	Decrease in sales Increase in costs	+ ++	+ ++	If increasingly severe natural disasters affect any of our factories, costs such as repair and rebuilding expenses could arise. If the production bases and inventory storage locations of suppliers are similarly affected by natural disasters, there is a risk that the supply of our products could be interrupted.
Opportunities	Increased demand for sunscreen and UV protection products due to increasing UV exposure	Increase in sales	+	++	If UV exposure in daily life increases, the number of people who need UV protection products and the frequency of use could increase, resulting in increased sales of those products.
	Increased demand for cooling products and makeup smudging prevention products due to rising temperatures	Increase in sales	+	++	In cosmetics-related products such as skin lotion and foundation, if needs for products that provide a cooling sensation and prevent makeup from smudging increase along with rising temperatures, sales of those products could increase.
	Improvement of brand value due to reduction of the environmental footprint of our products	Increase in sales	++	—	As environmental awareness increases throughout society, our ability to achieve and publicize a reduction in our environmental footprint could have a positive effect in marketing.
	Development and expansion of products and services with reduced environmental impact	Increase in sales	++	—	An increase in the perceived added value of providing low-carbon and non-plastic products and services could have a positive effect on revenue.
	Improved cost competitiveness from renewable energy and energy-saving equipment	Decrease in costs	++	+	The purchase of renewable energy and introduction of energy-saving equipment would lead to a decrease in our energy costs. In particular, in the 2°C scenario, while electricity prices will be higher than their current level, renewable energy purchase prices will fall, so purchasing renewable energy will provide cost advantages.

*—: minimal impact +: some impact ++: substantial impact

■ Specific Activities

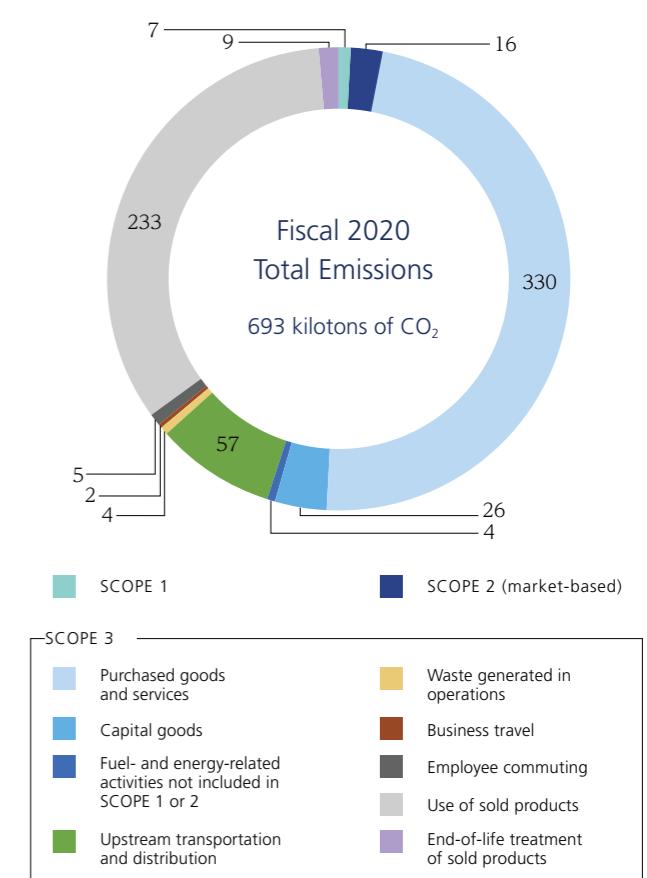
At the Gunma Factory, one of our main production facilities, we switched all of the electricity we purchase to electricity from renewable energy sources from January 2021. Over a full year, this will be equivalent to approximately 23% of the amount of greenhouse gas emissions from energy and purchased electricity at all KOSÉ Group locations, using fiscal 2018 as the base year.

At KOSÉ SALES CO., LTD., we are promoting car sharing to reduce the number of sales vehicles used. We also conducted a fundamental review of sales operations, and are taking steps to achieve further reductions.



KOSÉ Gunma Factory

Breakdown of 2020 Greenhouse Gas Emissions by SCOPE (Kilotons of CO₂)



Note: See For the Earth: Environmental KPIs on page 61 for a detailed breakdown.

See the following section of the KOSÉ website for information disclosed in accordance with TCFD recommendations.

► For details: <https://www.kose.co.jp/company/en/sustainability/environment/tcfcd>

See the following section of the KOSÉ website for other initiatives to reduce our environmental impact.

► For details: <https://www.kose.co.jp/company/en/sustainability/environment/>

Mind to Follow the Right Path

Human Rights Initiatives

The KOSÉ Group recognizes its potential for directly or indirectly affecting human rights in the course of conducting business. To supplement the KOSÉ Group Action Guidelines, which stipulate that the Group shall act with respect for the human rights of all persons with whom it is involved, we established the KOSÉ Group Human Rights Policy in February 2020. Based on the United Nations Guiding Principles on Business and Human Rights (UNGPs), the policy has been formulated to support and respect various international principles. In fiscal 2020, we used this policy as the basis for identifying and ameliorating supply chain issues as part of our efforts to respect human rights as a member of global society.

Considering Human Rights in Raw Material Procurement (Supply Chain Management)

The aim of KOSÉ's management since its founding has been co-existence and co-prosperity, emphasizing relationships with business partners. We strive to provide safe and reliable products to our customers and to conduct activities for sustainability throughout the supply chain in Japan and overseas.

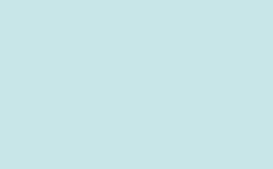
As part of those efforts, to continuously identify and address human rights issues, we use a questionnaire to conduct annual monitoring of suppliers for sustainable procurement.¹ For suppliers who do not meet the standards

we have set in the questionnaire,² we investigate and reconfirm the details covered, conduct interviews as necessary and send our requests for improvement in the following fiscal year.

1. Monitoring is conducted using the Sustainable Procurement Self-Assessment Questionnaire (SAQ). For the content of the SAQ, we excerpted relevant items from the CSR Procurement Self-Assessment Questionnaire published by the UN Global Compact Network Japan and prepared our own questionnaire in line with our Sustainable Procurement Guidelines for suppliers.

2. See Business Operations with Transparency and Fairness on page 43.

Initiatives to Respect Human Rights

2005	Formulated the KOSÉ Group Code of Conduct	The Group Code of Conduct, which stipulates respect for human rights and compliance with laws and regulations, was set forth in the KOSÉ Group Action Guidelines. We made several revisions thereafter in accord with the times, and worked for its penetration and implementation.	
2019	Inaugurated a project to formulate a human rights policy	We inaugurated a project to formulate a human rights policy specifically to supplement the KOSÉ Group Action Guidelines. Sixteen members from seven departments deepened their understanding of human rights through participation in seminars and workshops.	
2019	Formulated the KOSÉ Group Human Rights Policy	After discussions among the project members, we formulated the KOSÉ Group Human Rights Policy, which specifies the Group's stance on respect for human rights.	
2020	Conducted initiatives based on the Human Rights Policy	We made the Human Rights Policy known throughout the Group and announced it publicly. Moreover, in our efforts to deal with the impact of the COVID-19 pandemic, we have kept human rights in mind. In the Company, we have given the highest priority to the health of our employees, promptly establishing systems for telecommuting (excluding some bases), staggered commuting hours and other measures. For society in general, we donated cosmetics to support the mental health of medical professionals and care workers. (See page 15.)	
2021	Accelerating adoption of initiatives based on the Human Rights Policy	To further accelerate the adoption of our initiatives, we will broaden the way we measure our impact on human rights based on the human rights due diligence process, and provide in-house training so that employees understand the importance of respect for human rights.	

Human Resource Development

To become a company with a global presence, the KOSÉ Group needs the skills of world-class human resources who anticipate changes around the world and continue to create unique value. That is why we have made developing human resources one of our material issues and are implementing various measures to cultivate people of well-rounded character and creativity to support the sustainable growth of the KOSÉ Group from a medium-to-long-term perspective.

Developing Human Resources Who Generate Innovation

In an increasingly globalized and borderless world where the market environment and customer needs change rapidly, it is essential to instill diversity and inclusion in corporate culture and to develop human resources with diverse personalities, backgrounds and features. We aim to develop innovation-oriented human resources capable of thinking beyond precedent or conventional wisdom, who can consistently play an active role by leveraging their creativity.

Through the Link* innovation creation program, which we have been conducting since fiscal 2017, we are working to generate and commercialize new products and services from novel ideas by combining KOSÉ's strengths and accumulated internal resources with the latest technologies and fresh ideas from external start-up companies, based on the enthusiasm and spirit of challenge of employees.

Sixteen members from throughout Japan participated in the Link program for fiscal 2020, collaborating with an innovation program from a venture capital fund (World Innovation Lab (WiL)) in an attempt to identify customer needs through the use of "design thinking" techniques to create and provide new value.

Moreover, as part of COVID-19 countermeasures, the program made full use of the Internet and digital technologies to incorporate research and work using online tools. The resulting environment was conducive to frequent and

meaningful communication among participants, including those in remote locations and overseas, leading to more expeditious and deeper discussion.



Progress report meeting being conducted partially online

* An in-house venture program that gathers various members from across departmental boundaries to bring together diverse insights. We are also incorporating open innovation to create value through collaboration with external partners possessing technologies and knowledge that KOSÉ lacks.

A New Work Style for the New Normal

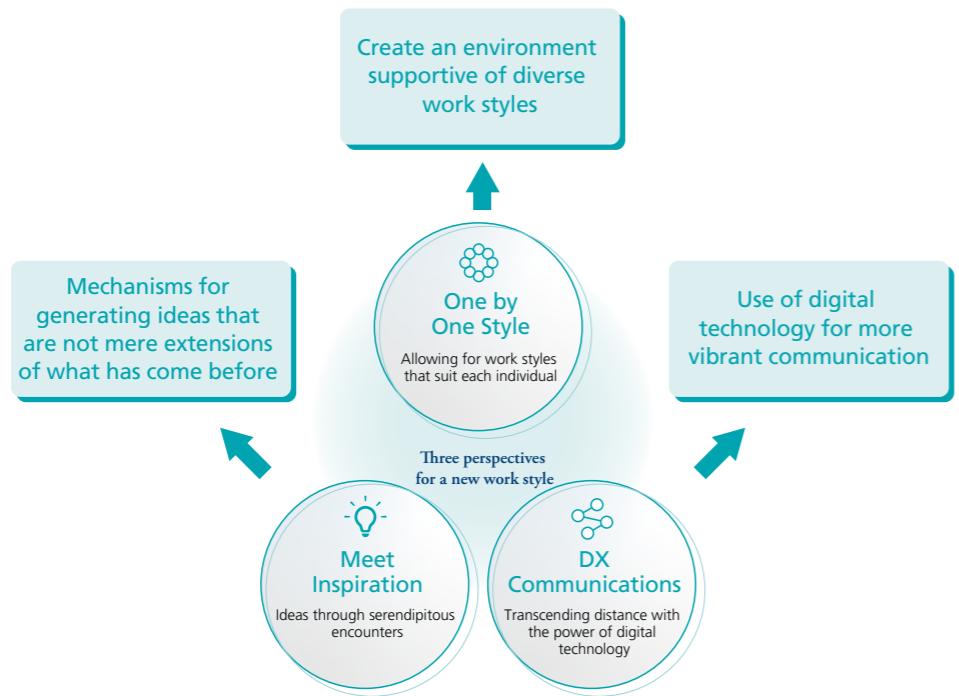
To become a company with a global presence, we provide an environment adapted to various systemic reforms and diverse work styles, thereby enabling diverse employees to fully realize their potential.

In fiscal 2020, the COVID-19 pandemic led to substantial changes in the workplace environment, in addition to

changes in the social environment and market needs.

To accelerate our initiatives to highlight the capabilities of each of our diverse employees and create new value that is more than just an extension of what has come before, we have established a new work style policy that incorporates three perspectives for the "new normal" (see page 40).

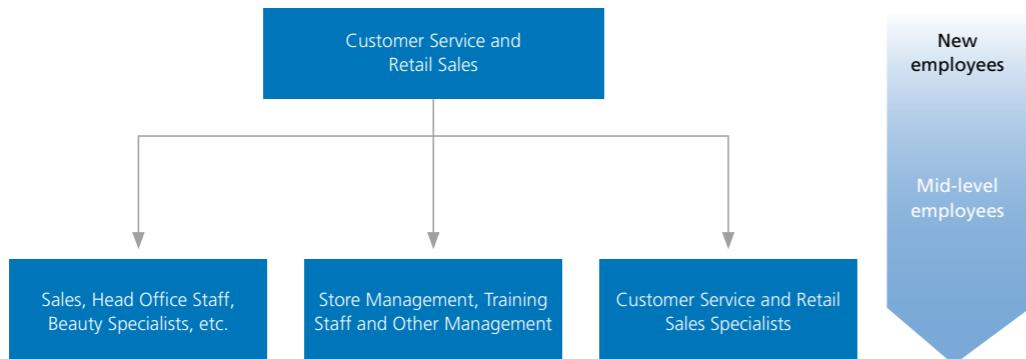
Three Perspectives for a New Work Style in the New Normal



Career Design for Beauty Consultants

For our Beauty Consultants, who work in stores and other retail locations, we have been providing support for future career options including positions in employee training, store management and sales, and at the head office (in planning, product development or other departments), in addition to improving their skills in retail sales.

In fiscal 2020, the COVID-19 pandemic led to restrictions on activities in stores where Beauty Consultants work. However, KOSÉ viewed this situation not as a setback but an opportunity to develop new channels for interaction with customers, utilize communication tools, and create novel opportunities for Beauty Consultants to play an active role.



Only the Safest, Most Reliable, High-Quality Products

"Only one product out of millions of cosmetics delivered to the market reaches the customer, so cherish the one." Based on this belief, the KOSÉ Group aims for unique raw material procurement and production processes that provide customers with safe, reliable cosmetics, taking pride that KOSÉ is synonymous with quality.

Delivering KOSÉ Quality to the World as Our Founder Intended

Kozaburo Kobayashi, who founded the Company in 1946, believed KOSÉ had a duty to develop products of superior quality that would make consumers happy. Persistent supply shortages in the postwar years meant that KOSÉ scrambled to procure high-quality ingredients and conduct thorough quality control, yet took pride in being known to customers as a company that delivered quality. This commitment has been passed down to us today as we pursue the highest quality at each stage of the entire value chain. In the 1970s, we were quick to introduce quality control using scientific methods at our production sites, and in 1980 we marked a domestic cosmetics industry first when our Manufacturing Department won a Deming Prize.¹ We subsequently acquired management standard ISO 9001 and global cosmetics (cosmetics GMP²) standard ISO 22716 certifications in our ongoing commitment to quality.

Appreciation for the refined, high-quality cosmetics made in Japan is growing worldwide. At the same time, there is also an increasing need for an adaptable approach, with sustainable

products tailored to each individual customer. We also plan to establish a new eco-friendly facility, the Minami Alps Factory (provisional name), as a new production base for handling personalized products. We will proactively enhance our sustainable production and supply structure and promote technological innovation to deliver the ultimate in quality.

1. An award given in Japan to companies and individuals who have successfully implemented total quality management of industrial products
2. Cosmetics Good Manufacturing Practices: Technical standards for control of production and quality of cosmetics and other products



Product inspection

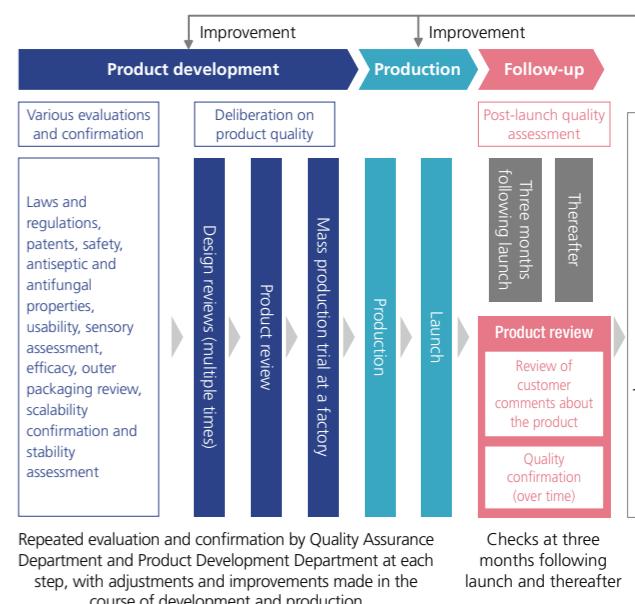
Quality Control That Prioritizes Peace of Mind and Safety

Cosmetics come in direct contact with the skin and hair, so it is important that we ensure customers can use our products with peace of mind. As such, we prioritize safety in the development of new products through rigorous and repeated evaluations in line with high quality standards at each step from raw materials to finished products. Before putting products on the market, for final confirmation of safety we run them through tests under the various conditions in which they are expected to be used.

KOSÉ has built a system in which the Quality Assurance Department and the Product Development Department work together from the initial stage of development to evaluate the safety of new products. This system enables us to rapidly create products that give customers peace of mind and are safe while placing a premium on novel viewpoints and imaginative approaches. Furthermore, while giving the highest priority to safety, we develop our cosmetics, including quasi-drugs, under a policy of using testing methods that do not involve animals.

► For details: <https://www.kose.co.jp/company/en/sustainability/customer/>

Quality Assurance in the KOSÉ Group's New Product Development



Customer's Perspective

We promote engagement to be “closer to our customers” so that they are truly satisfied with every one of our cosmetics. The entire KOSÉ Group takes a thoroughgoing stance of delivering the value customers demand from their perspective.

“Closer to Our Customers”—A Product Development Process Based on Design Thinking

The KOSÉ Group established the slogan “Closer to Our Customers” for internal use and in April 2018 announced its Declaration of Consumer Orientation. It signifies that each employee thoroughly adopts an approach of taking the viewpoint of customers to deliver cosmetics with value, and has been in use since it was set forth as the basic policy of KOSÉ’s medium-term management plan for fiscal 2011. We intend to step up our efforts to further advance a customer viewpoint in the activities of all departments.

In product manufacturing, for instance, for some time we have been making products that utilize customer feedback. However, to create products with greater adaptability than before, we have come to consider it important to incorporate opinions from consumers with diverse backgrounds and features in addition to our usual customers. We have thus established a product development process rooted in consideration of all kinds of consumers (see figure at right).

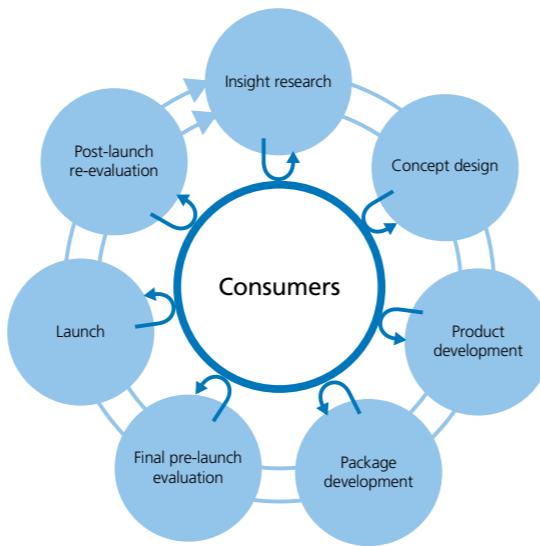
Specifically, we have introduced quantitative and qualitative surveys of consumers in each target group at each stage of the product development process.

For example, when developing the product itself, we conduct product tests during initial development then conduct consumer surveys on usability and other factors. The results are then incorporated in the overall development

process, and the direction of development is adjusted. By repeating these steps at each stage, we develop products that reflect consumer feedback.

In this way, we will put consumers at the core of our product creation to achieve a true customer perspective that incorporates adaptability.

Product Development Process Applying Design Thinking Techniques



Product Creation in Which Improvements Reflect Customer Feedback

The Quality Assurance Department, which includes the Customer Service Center, takes the lead in proactively handling feedback received by the Company to reflect valuable opinions and requests from customers in development and improvements for better products and services. The department promptly and appropriately shares customer feedback with related internal departments in the form of a monthly customer feedback report and has established a feedback database that can be accessed at any time. It also regularly holds meetings with related departments to discuss specific suggestions for improvement from the Customer Service Center based on customer feedback, leading to product refinements and renewals.

We will continue to consider sustainability in developing products and services, including products that are easy for all customers to use and more eco-friendly products.

Case Study of Product Improvement Reflecting Customer Feedback

- Improvement to Make the Brush Location Immediately Apparent
Visée FOGGY ON CHEEKS comes in a two-compartment case with the brush stored in the lower compartment. Although an explanation was printed on the outer box, feedback indicated that some customers could not find the brush. When the product was renewed in November 2019, the container specifications were improved so that opening the upper lid of the case also caused the lower lid to rise, revealing the brush beneath.



Visée FOGGY ON CHEEKS N renewed product

Transparent and Fair Business Operations

Since its founding, the KOSÉ Group has pursued co-existence and co-prosperity with all of its employees and business partners. While fulfilling our responsibilities as a member of the global community, we work with our employees and business partners to promote sustainability for a better future for people and the global environment.

Promoting Sustainability in the Supply Chain

We conduct sustainable, socially and environmentally responsible procurement for raw materials in line with our Basic Procurement Policy. We promote detailed information exchange with suppliers to develop mutual understanding of pertinent issues and use questionnaires to track environment-oriented responses and respect for human rights.

Monitoring Activities for Sustainable Procurement

In fiscal 2020, we conducted a questionnaire survey of suppliers who together account for 95.8% of our procured goods by cost. For suppliers whose response scores did not meet our standards, we investigated and reconfirmed the details covered, conducted interviews as required and requested their cooperation in making improvements for the next fiscal year. We will continue to promote sustainable procurement through initiatives such as this.

Emphasizing a Sense of Partnership with Suppliers

KOSÉ holds a policy meeting with its suppliers once a year to explain the KOSÉ Group’s policies, business plan and purchasing policy. A party is also held at this event to show our gratitude and to recognize those suppliers who have contributed significantly to our success, particularly to our business results, improved quality and environmental considerations.

The scale of the event was smaller than usual in fiscal 2020 due to the impact of the COVID-19 pandemic. It was held in KoCoLabo, a multipurpose space in our head office in Nihonbashi, Tokyo, where award-winning suppliers were invited to a ceremony with infection countermeasures in place. We also asked suppliers for their continued cooperation in our ongoing pursuit of higher quality and sustainability.



A party to show our gratitude to suppliers, held in conjunction with the fiscal 2020 policy meeting

Establishment of Compliance Help Desk

We have established a Compliance Help Desk to handle inquiries from both inside and outside the Company for early detection of illegal acts (including bribery and all other forms of misconduct) and violations of internal rules, including human rights issues such as bullying and harassment. We have set up contact points for employees both in Japan and overseas, and make all employees aware of their existence through training and other methods. In addition, to emphasize our relationships of trust with our business partners and conduct business operations with transparency and fairness on both sides, we have established a contact point on our website for receiving consultations and reports from our business partners. When we receive a consultation or report regarding a compliance violation, we have a system in place to properly investigate it and to respond in good faith. For example, whenever we receive a report of wrongdoing, infringement of human rights, or violation of laws and regulations, internal rules or the KOSÉ Group Code of Conduct by an employee or officer of the KOSÉ Group, or on hearing of concerns regarding any of the above, we ensure that the anonymity of the reporting party is protected and that he/she does not suffer any disadvantage. The Compliance Committee acts on the reported information fairly and sincerely with advice from external lawyers and works to swiftly ascertain and promptly resolve the problem.

► For details: <https://www.kose.co.jp/company/en/sustainability/management/>

External Recognition

Inclusion in ESG Indices

KOSÉ Corporation has been selected as a constituent stock of the following ESG indices.

FTSE4Good Index Series

(<https://www.ftserussell.com/products/indices/FTSE4Good>)



2020 Constituent MSCI Japan Empowering Women Index (WIN)

(<https://www.msci.com/msci-japan-empowering-women-index>)

**2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)**

THE INCLUSION OF KOSÉ Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF KOSÉ Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

FTSE Blossom Japan

(<https://www.ftserussell.com/products/indices/blossom-japan>)



S&P/JPX Carbon Efficient Index

(<https://www.jpx.co.jp/english/markets/indices/carbon-efficient/>)



Messages from External Directors

Aiming for True Diversity and Inclusion

I recently gave a lecture for female employees. They were a promising group, and I could sense their determination to help make KOSÉ a better company. People talk about the need for diversity, but simply achieving diversity on its own is meaningless. I believe that diversity also requires inclusion, where there is respect for the opinions of every individual, and all are equally able to make their voices heard. This year, KOSÉ's initiatives have been externally recognized, including designation as a Semi-Nadeshiko brand, but I hope that rather than settling for the status quo, KOSÉ continues to aim for true diversity and inclusion.



Yukino Kikuma

Director (External)

External Recognition for Sustainability



Climate Change Scoring and Supplier Engagement Rating (CDP)
Selected for CDP Climate Change A List 2020 and Supplier Engagement Rating Leaderboard 2020

(<https://www.cdp.net/en>)



International Women's Day
Received the Women's Support Brand Award in the corporate category at the Happy Woman Awards 2021 for SDGs (Sponsored by Happy Woman Secretariat)

(<https://happywoman.online/>) (Japanese only)



Nadeshiko Brand (Ministry of Economy, Trade and Industry/Tokyo Stock Exchange)
Selected as Semi-Nadeshiko Brand for Fiscal 2021

(https://www.meti.go.jp/english/policy/economy/human_resources/)

► For details: <https://www.kose.co.jp/company/en/sustainability/recognition/>



Norika Yuasa

Director (External)

Creating New Value

The COVID-19 pandemic has made it impossible to carry on our lives and businesses as before, and gloomy news is on the rise. Under these circumstances, KOSÉ is bringing together its product development capabilities and abundant creativity, backed by solid technological and high-level organizational capabilities, to continue its overseas expansion. Achievements include support for medical workers in Japan and overseas, expansion of its sales network outside Japan using digital technology, and proactive development of products that are needed around the world in response to new lifestyles. Carrying on this spirit of determination, the present times offer an opportunity for KOSÉ to realize the new value of sustainability it aims for on a global stage.



Yuko Maeda

Director (External)

Innovation for the Happiness of All

As a company that creates beauty, KOSÉ has the attitude and ample flexibility to take on new challenges. I believe that innovation emerges from intermingling different fields and novel ideas. KOSÉ has been developing products through high-value-added research in areas such as leading-edge dermatological studies in France and digital technology-driven wrinkle prediction. Going forward, I would like KOSÉ to be a greater driver of collaboration between industry, academia and government to generate numerous appealing businesses that pioneer the next generation of beauty and make people happy. Areas for collaboration will include increasing value through eco-friendly raw materials and containers, and utilizing digital technology for personalized customer experiences. This sort of collaboration is my area of specialty, so I hope to play a part in this process.

Corporate Governance

Governance at a Glance



* Year ended March 31, 2021

Basic Policy

The KOSÉ Group has established the principle, centered on its management philosophy, to "continually conduct management to enhance its enterprise value as the KOSÉ Group," and strives for management focused on business expansion and efficiency.

The KOSÉ Group considers corporate governance to be an important management issue, and is working to establish organizations and mechanisms for the conduct of sound management, and to create frameworks to maintain the trust of society.

Corporate Governance Structure

KOSÉ has adopted a company with an Audit & Supervisory Board system to audit the adequacy of the directors' execution of their duties.

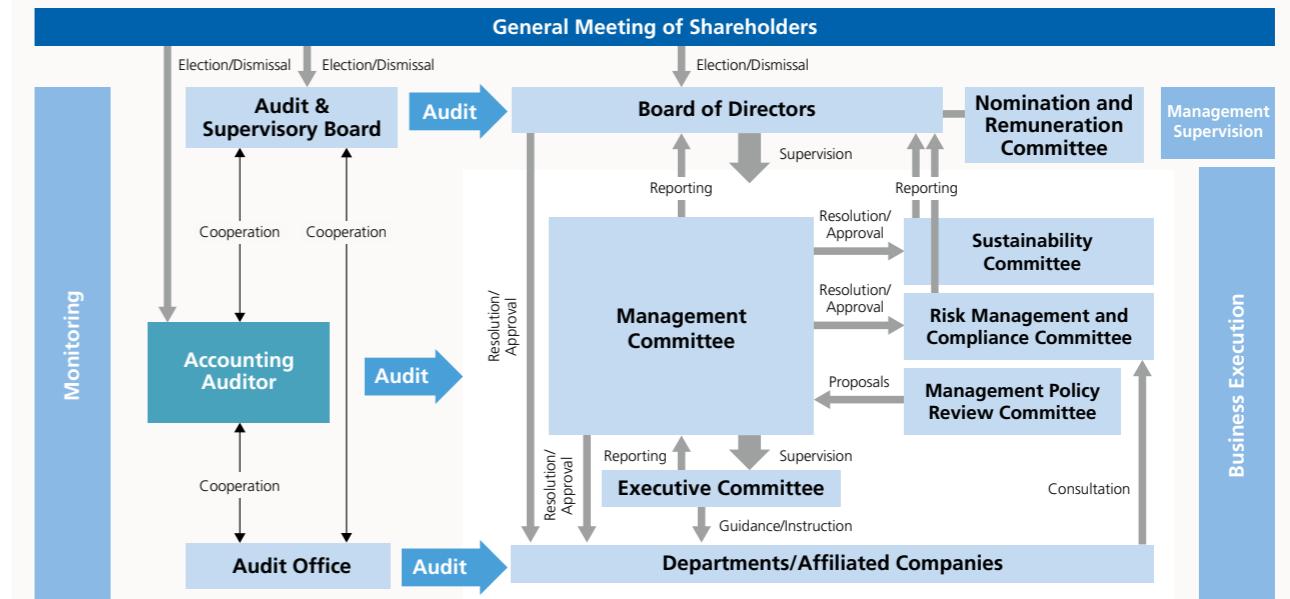
For the swift and efficient execution of business, the Company employs the Board of Directors, the Management Committee chaired by the President & CEO, the Management Policy Review Committee, the Executive Committee, and other bodies as necessary.

In addition, the Company has voluntarily established the

In addition, the KOSÉ Group is striving to enhance the transparency and fairness of management based on sincere communication with all stakeholders including shareholders, investors, creditors, customers, business partners, employees, and local residents and communities, and on building relationships of trust with them.

Nomination and Remuneration Committee, a majority of which is composed of external directors and external Audit & Supervisory Board members, to deliberate on officer remuneration and the appropriateness of officer appointments. The Company has determined that it is appropriate to have independent external directors and Audit & Supervisory Board members to provide audit and supervisory functions in addition to a system of checks and balances by officers familiar with the business.

Corporate Governance Organization



Board of Directors

The Board of Directors strives to achieve an optimal balance of overall knowledge, experience, competencies, diversity and size.

The Company has appointed external directors with a high level of expertise and extensive insight to provide advice on business execution, as well as to monitor and supervise each director.

The Company has a business execution system that clarifies the scope of authority of directors so prompt decisions can be made by a small number of people. The Company has also

adopted an executive officer system, and the executive officers appropriately execute business in the departments they oversee in accordance with basic management policies.

The Board of Directors meets in principle once each month, to decide on matters stipulated by laws and regulations, as well as important matters relating to management, and to supervise the conduct of duties by directors.

Audit & Supervisory Board

For the Audit & Supervisory Board, the Company has appointed an attorney at law and a certified public accountant with extensive experience in auditing and insight as external members to monitor and supervise the execution of business by directors.

Audit & Supervisory Board members attend important meetings such as the Board of Directors meetings and

Management Committee meetings, communicate with Audit & Supervisory Board members of domestic Group companies as appropriate, exchange information and opinions with internal audit departments and the accounting auditor, and conduct internal audits of departments within the Company and of its subsidiaries regularly and as required.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is an organization that deliberates on proposals related to nomination and remuneration made by the president to the Board of Directors to enhance the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination and remuneration of directors, Audit & Supervisory Board members and executive officers of the Company. It is chaired by an external director to ensure objectivity.

Composition of the Nomination and Remuneration Committee

Chairperson	Total Members	(Breakdown)		
		Directors	External Directors	External Audit & Supervisory Board Members
External Director	7	2	3	2

External Directors and External Audit & Supervisory Board Members

Attendance at Board of Directors and Audit & Supervisory Board Meetings in Fiscal 2020

Position	Name	Board of Directors Meetings (Convened 13 times)		Audit & Supervisory Board Meetings (Convened 11 times)	
		Number of Meetings Attended	Percentage of Meetings Attended	Number of Meetings Attended	Percentage of Meetings Attended
External Director	Yukino Kikuma	13	100%	—	—
External Director	Norika Yuasa	13	100%	—	—
External Director	Yuko Maeda	11*	100%	—	—
External Audit & Supervisory Board Member	Toru Miyama	13	100%	11	100%
External Audit & Supervisory Board Member	Kumi Kobayashi	11*	100%	9*	100%

* The number of Board of Directors meetings and Audit & Supervisory Board meetings attended by External Director Yuko Maeda and External Audit & Supervisory Board Member Kumi Kobayashi differs from that of other officers because they were elected at the 78th Annual General Meeting of Shareholders held on June 26, 2020.

Reasons for Each External Director's Selection

Name	Reasons for Selection
Yukino Kikuma	Ms. Kikuma has highly specialized knowledge as an attorney at law and particularly deep insight concerning corporate law. She also has media-related experience. The Company therefore believes she can provide appropriate, impartial suggestions and advice on management reform issues related to sustainability and diversity from a broad perspective, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Kikuma has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Norika Yuasa	Ms. Yuasa has highly specialized and broad knowledge that extends to Asia, Europe and North America as well as Japan as an attorney at law. The Company therefore believes she can provide oversight and advice for the Company's global strategy with her extensive insight, mainly in the legal field, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Yuasa has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.
Yuko Maeda	Ms. Maeda has a high level of expertise in the realm of applications for corporate intellectual property combined with abundant experience and knowledge particularly when it comes to industry-academia partnerships. Moreover, she has abundant insight from a managerial perspective underpinned by her experience as a corporate Director and Outside Audit & Supervisory Board Member, in addition to her experience serving as an officer of a national university and an incorporated national research and development agency. The Company therefore believes she can provide impartial suggestions and advice to management, and use her independent and objective standpoint to guide management. Furthermore, the Company believes that Ms. Maeda has no conflict of interest with general shareholders and has accordingly designated her an Independent Director.

Evaluation of the Effectiveness of the Board of Directors

With the aim of enhancing objectivity and further improving governance, the Company used a third-party organization to conduct the evaluation of the effectiveness of its Board of Directors. The method and results of the fiscal 2020 evaluation were as follows.

1. Evaluation Method

A questionnaire survey covering the items on the right was completed by the directors and Audit & Supervisory Board members.

A third-party organization was used to create the survey and to tabulate and analyze the results. Based on those results, the Board of Directors analyzed and evaluated its effectiveness and considered future responses.

Main Evaluation Items

- Composition and operation of the Board of Directors
- Management and business strategies
- Corporate ethics and risk management
- Performance monitoring
- Evaluation and remuneration of management
- Dialogue with stakeholders

2. Evaluation Results and Issues to Address Going Forward

As a result of discussions conducted at the Board of Directors meeting based on the results of the questionnaire survey, the Board of Directors confirmed that advance distribution of materials and explanations, preparation of the agenda of Board of Directors meetings, and verification of the suitability of crossholdings are being conducted appropriately, among other matters. In addition, steady improvement was confirmed in issues raised in the previous fiscal year, including increasing the ratio of women on the Board of Directors to increase the board's diversity, and establishing opportunities for direct discussions between external officers of the

Company and officers of subsidiaries to enhance subsidiary management systems. Based on these factors, the Board of Directors concluded that it has ensured its overall effectiveness.

On the other hand, issues raised by this year's questionnaire survey results include establishing opportunities for sharing information and exchanging opinions among external officers and providing feedback on opinions obtained through dialogue with shareholders.

Based on these points, the Company will continue working proactively to further enhance the effectiveness of the Board of Directors in order to improve the corporate value of the KOSÉ Group.

Overview of Officer Remuneration

For remuneration of Company officers, the Company has decided on a remuneration framework that emphasizes increasing corporate value over the medium to long term.

	Fixed remuneration	Performance-linked remuneration	
Directors (Internal)	(A) Basic remuneration	(B) Bonuses (C) Stock compensation	
Directors (External)	(A) Basic remuneration		
Audit & Supervisory Board Members	(A) Basic remuneration		
	Payment Method	Evaluation Indicators	Calculation Method
(A) Basic remuneration (Cash)	Paid in the form of fixed remuneration on a monthly basis, the amount of which is determined based on respective position depending on the extent of professional responsibilities and roles thereof	—	<ul style="list-style-type: none"> • Directors: Set according to the position of each director, taking the operating environment into account • External directors and Audit & Supervisory Board members: Set based on comparisons with other domestic and overseas companies in the same industry or of the same size, as well as on the Company's financial condition and business results
(B) Bonuses (Cash)	Paid within three months after the end of each fiscal year, in principle, as incentive to improve corporate business performance in a single fiscal year	• Consolidated net sales • Consolidated operating profit • Net sales and operating profit in each business domain	Varies from 0 to 200% of the standard amount, depending on the extent to which target amounts for the single fiscal year have been achieved for each indicator (ratio of net sales indicators to operating profit indicators is 50:50) ¹
(C) Stock compensation (Stock)	The Company makes annual delivery of a fixed number of shares of its common stock subject to certain stipulations such as those of the restricted period, and lifts the restrictions upon retirement of the recipient.	The Company's stock price ²	—

1. Under the remuneration framework, the Company sets high evaluation weightings with respect to the business domains that are under direct control of an individual director, thereby ensuring that each director fulfills his or her responsibilities in the business domains under his or her respective control.
2. The Company has selected its stock price as the evaluation indicator with the aim of further heightening motivation to help increase corporate value over the medium to long term, and further promoting the shared interests of stock compensation recipients and the Company's other shareholders. Because the Company's stock price acts as the indicator for calculating stock compensation, the Company does not set performance targets in that regard.

Remuneration Mix

Proportion of President & CEO's Total Remuneration



The Company's policy when it comes to remuneration mix for positions other than that of the President & CEO is such that the higher one's position, the lower the proportion of basic remuneration and the higher the proportion of bonus and stock compensation.

Going forward, the Company intends to periodically reassess the remuneration mix with a focus on stock compensation with the aim of achieving sustainable growth over the medium and long term.

Method for Determining Officer Remuneration

Officer remuneration shall be classified into directors and Audit & Supervisory Board members for voting at the General Meeting of Shareholders and allocated to each officer within the scope of the total amount for each officer classification, and such remuneration is determined by the Board of Directors after discussion of its appropriateness by the Nomination and Remuneration Committee, which is composed mainly of external officers.

Remuneration of Audit & Supervisory Board members is determined by mutual agreement among the Audit & Supervisory Board members, including the two external members.

In addition, the Company has established a retirement benefit plan for Company officers. The Company has established criteria for the relevant payment amount and allocates provisions to a reserve for each year of each officer's tenure.

Moreover, the Company passed a resolution at the Annual General Meeting of Shareholders held on June 26, 2020 to introduce a restricted share remuneration plan for directors (excluding external directors) as an incentive to sustainably increase corporate value, and has conducted a review of the officer remuneration system in general. The method for determining officer remuneration from fiscal 2020 is as follows.

Fundamental Policy on Officer Remuneration

The Company's remuneration for its directors and Audit & Supervisory Board members is designed and operated with the aim of increasing corporate value over the medium to long term from the viewpoints of:

- Maintaining a remuneration plan that enables the Group to achieve global and borderless growth;
- Ensuring remuneration levels that give rise to appropriate competitive strengths and the ability to recruit and secure outstanding professional talent; and
- Facilitating a remuneration plan that ensures high levels of independence, objectivity and transparency, and that satisfies the duty of accountability toward the Company's customers, shareholders, business partners, employees and other stakeholders.

Remuneration Levels

The Company has determined that its levels of officer remuneration are appropriate, having taken the Company's business environment into account, while also having surveyed and analyzed remuneration levels of major companies in the same industry or of the same size using external databases and other information.

Remuneration Decision-Making Method

For officer remuneration, the Company has established separate director and Audit & Supervisory Board member classifications at the General Meeting of Shareholders. Accordingly, the Company is to allocate to each officer amounts of officer remuneration, the total of which does not exceed the total amounts set for the respective classifications.

To ensure objectivity and transparency with respect to the officer remuneration plan, the Board of Directors resolves to assign the task of making final decisions on allocations of officer remuneration to the President & CEO following deliberations regarding the adequacy and appropriateness thereof carried out by the Nomination and Remuneration Committee, which consists mainly of external officers.

The President & CEO has the authority to make decisions on the amount of basic remuneration of each director, the amount of bonuses taking into account the results of the business domains under the control of individual directors, and the amount of stock compensation. The President & CEO has been given this authority to make decisions on these matters because, as the representative director, he or she is the most suitable person to evaluate the businesses under the control of each director while looking at the big picture of the Company's overall business results.

Moreover, the Company makes decisions on remuneration for Audit & Supervisory Board members through consultation with the Audit & Supervisory Board members.

Total Remuneration by Officer Classification, Amount by Type of Remuneration and Number of Eligible Officers

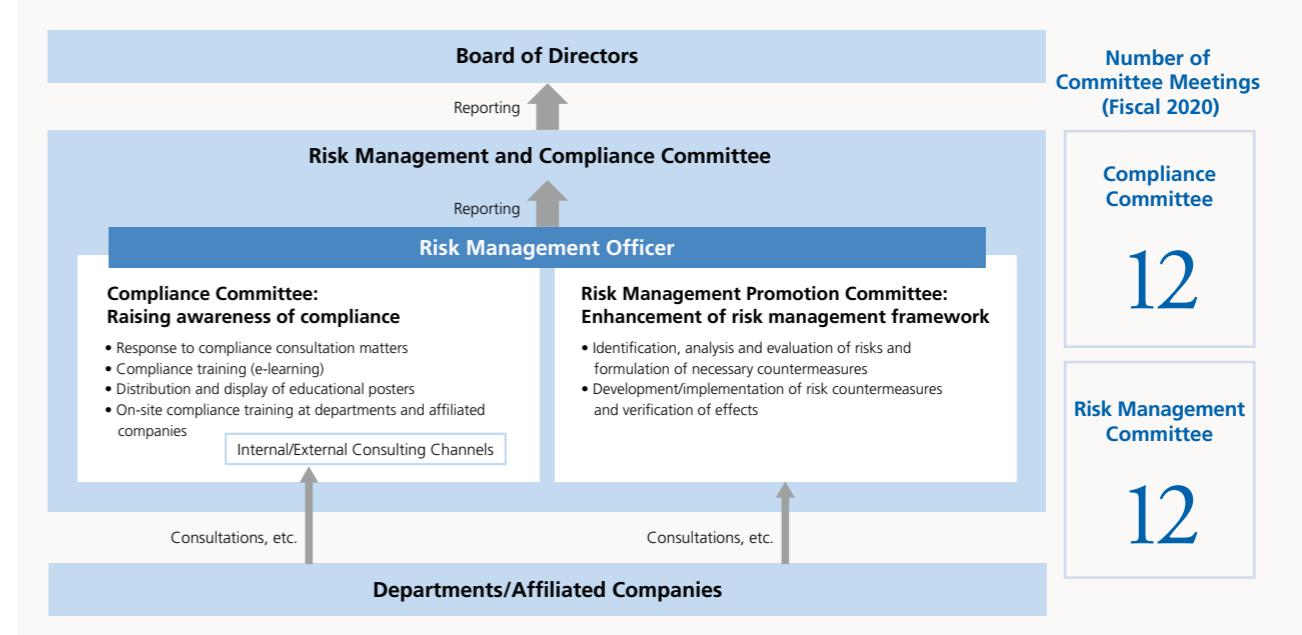
Officer Classification	Total Remuneration (Millions of yen)	Amount of Remuneration by Type (Millions of yen)				Number of Eligible Officers
		Basic Remuneration	Performance-Linked Remuneration	Provision for Officers' Retirement Benefits	Non-Monetary Compensation	
Directors (External directors only)	527 (33)	338 (33)	134 (—)	15 (—)	39 (—)	10 (4)
Audit & Supervisory Board members (External Audit & Supervisory Board members only)	69 (22)	69 (22)	— (—)	0 (—)	— (—)	6 (3)
Total (External officers only)	597 (55)	407 (55)	134 (—)	16 (—)	39 (—)	16 (7)

Persons Receiving Total Remuneration of ¥100 Million or More

Name	Officer Classification	Company	Amount of Remuneration by Type (Millions of yen)				Total Remuneration (Millions of yen)
			Fixed Remuneration	Performance-Linked Remuneration	Provision for Officers' Retirement Benefits	Non-Monetary Compensation Included in Amounts on the Left	
Kazutoshi Kobayashi	Director	KOSÉ Corporation	210	107	9	21	327

Risk Management and Compliance

Risk Management and Compliance Organization



For the Company, compliance encompasses compliance with laws and regulations as well as behavior consistent with social ethics based on "Mind to follow the right path." The compliance promotion structure and activities are regularly reported to the Board of Directors via the Risk Management and Compliance Committee. The Compliance Promotion Committee holds training and other educational programs for directors and employees. The Company has established internal and external reporting channels, creating a framework for responding to reports and consultations. In addition, to respond to risk factors that pose a threat to the sustainable development of the Company, particularly various risks such as problems involving compliance, quality, information security and markets as well as natural disasters, the Company has established Risk Management and Compliance Regulations and is working to enhance its risk management structure by establishing a Risk Management Promotion Committee. The Company has also created a framework based on its Crisis Management Regulations for minimizing damage in the event a major risk materializes.

For details:

See the KOSÉ website for more information on corporate governance, risk management and compliance.
<https://www.kose.co.jp/company/en/sustainability/management/>

Risk Management Briefing Session

A briefing session is held annually for officers, administrative employees and supervisors as a forum for sharing information on various laws, regulations and changes in the operating environment. The Company continues to communicate information that incorporates recent case studies to firmly establish Company-wide risk management and compliance promotion activities.

Compliance Training

Every year since 2008, the Company has set important themes for compliance and conducted training for all KOSÉ Group employees using e-learning or handouts. The Company also conducts awareness-raising for Beauty Consultants and target specific training to communicate information in a form that suits the audience.

Business and Other Risks

Among matters related to the state of the KOSÉ Group, including the status of its business and finances, we believe that the following risks could have a material impact on the Group's results and financial condition and that the factors described here are of material interest to investors for making investment decisions.

From the standpoint of proactive disclosure, these explanations include factors that are not necessarily of this nature and factors associated with external matters that are beyond the control of the KOSÉ Group that can influence the decision making of investors. This is not meant to be a complete list of potential risks.

These risk factors could have a material influence on the KOSÉ Group's management performance and financial position.

Please note that the forward-looking statements contained herein are based on the Company's judgments regarding main risks made as of June 29, 2021, and forward-looking statements are not limited to those presented here.

To ensure business continuity and stable growth going

Responding to Risks

Strategy Risk

Main Risks	Main Measures
Price competition Damage to brand value Decrease in market share	The Company conducts product development, marketing and sales taking into account changes in market needs and customer preferences, and works to maintain and improve its competitive advantage by adding functional and emotional value to achieve differentiation.
Entry of new competitors Decrease in market share due to entrants from other industries and expansion into new channels by competitors	In addition to constantly keeping track of information from its business partners and sales and marketing sites, the Company works to remain abreast of market information in a timely manner through regular consumer surveys. It also strategically pursues unique value through active cooperation with companies in other industries and linkages with external resources and technologies.
Research and development delays Decrease in brand competitiveness Decline in innovation	The Company conducts basic and applied research using data science at the Advanced Technology Laboratory, and has also opened a branch in Lyon, France to conduct leading-edge dermatological research. The Company is also actively engaged in open innovation using external resources.
Changes in consumer preferences Decrease in brand value due to deviation from consumer needs	In addition to regularly conducting market surveys to properly obtain consumer information and conducting consumer surveys in Japan, the Company is also stepping up its surveys in countries outside Japan where it does business. It is also actively deploying digital technologies in pursuit of new customer experiences.
Delays in responding to climate change Decline in business profitability due to inability to accommodate a low-carbon society	The Company is proactively engaged in various efforts to mitigate climate change, including reducing greenhouse gases. It also strives to respond to international trends, such as setting Science Based Targets (SBT) and considering information disclosure in line with the recommendations of the Task Force on Climate-related Financial Information Disclosure (TCFD).

Business/Financial Risk

Main Risks	Main Measures
Increase in raw material prices Decline in profitability due to increased raw material prices	The Company conducts procurement globally to minimize market risk. It also strives to procure necessary raw materials and outsourced products at appropriate prices in a timely manner while maintaining good relationships with suppliers. The Company has also established the Cost and Inventory Reduction Promotion Committee, which is working to maintain appropriate costs and secure inventories.
Discontinuation of raw material supply Obstacles to stable product supply Impact on sales and profit margins Decline in the Company's creditworthiness	

Political/Economic Risk

Main Risks	Main Measures
Changes in legal regulations and response Demand fluctuation risk Impact on product exports	The Company collects information on a daily basis regarding legal regulations related to its business. In product development, the Company reviews raw material standards in light of changes in legal regulations and responds by effectively utilizing domestic and overseas information networks to secure alternative raw materials.
Abrupt changes in the political situation in countries and regions where the Company does business Impact on sales due to fluctuations in demand Employee safety risk	The Company takes necessary measures by enhancing cooperation with overseas affiliates and business partners to collect information on economic, political, and social conditions in each country and region in a timely fashion.

Accident/Disaster Risk

Main Risks	Main Measures
Natural disasters (earthquakes, volcanic eruptions, tsunamis, etc.) Delays or interruption of business activities due to suspension of production and distribution functions	In the event of a disaster or the spread of an infectious disease, the Company will immediately establish an emergency headquarters to discuss and implement countermeasures. To prepare for disasters, the Company has created a crisis management manual. It also confirms workplace safety, corrects deficiencies and ensures alternative methods.
Spread of highly virulent infectious disease Delays or interruption of business activities including production, supply, and sales	

Personnel/Labor Risk

Main Risks	Main Measures
Securing outstanding talent Decline in corporate competitiveness	The Company works to create an environment in which diverse human resources can play an active role. In its recruitment activities, the Company secures expert human resources through hiring by job type and outstanding talent through revision of the Beauty Consultant compensation system.

Legal Violation/Indemnification Risk

Main Risks	Main Measures
Problems related to product accidents Reputation loss among customers and decline in corporate brand value due to serious product accidents	The Company manufactures products with the highest priority on delivering safe and reliable products to customers. It has articulated its stance on the KOSÉ Group's products through its Quality Policy comprising a quality policy message and five declarations for daily activities.
Leaks of confidential or personal information Reputation loss and compensation for damage due to information leaks	In addition to raising awareness of compliance through the Compliance Promotion Committee, the Company has established a Personal Information Management Committee based on laws and guidelines of the Ministry of Economy, Trade and Industry, and is working to build a comprehensive management system by strengthening information security. Furthermore, the Company holds regular training, shares information on risks and conducts thorough prevention measures.

Career Histories

(As of June 29, 2021)

Honorary Chairman



Yasukiyo Kobayashi
Honorary Chairman

Apr. 1964 Joined the Company
Jul. 1969 Director
Mar. 1976 Executive Director
Mar. 1981 Senior Executive Director
Jun. 1991 Representative, Senior Managing Director
Mar. 1997 President & CEO
Jun. 2007 Chairman President & CEO, KOSÉ SALES CO., LTD.
Jun. 2014 Honorary Chairman of the Company
(current position)



Masahiro Horita
Director

Apr. 1986 Joined the Company
Mar. 2012 General Manager of Global Product Dept.,
Global Business Div.
Mar. 2013 General Manager of Global Business Operations
Dept., Global Business Div.
Mar. 2017 President of KOSÉ COSMETICS CO., LTD. (CHINA)
Mar. 2019 Executive Officer and General Manager of
Product Development Dept. and Beauty
Development Dept.
Mar. 2020 Executive Officer, Deputy General Manager of
Marketing Headquarters and General Manager
of Product Development Dept.
Mar. 2021 Executive Officer and General Manager of
Product Development Dept.
Jun. 2021 Director and General Manager of Product
Development Dept. (current position)

(Responsibilities)
Product Development Dept., Beauty Development Dept.,
Advertising Dept., Product Designing Dept., Quality
Assurance Dept.
(Significant Concurrent Positions Outside the Company) –



Yukino Kikuma
Director (External)

Apr. 1995 Joined Fuji Television Network, Inc.
Dec. 2011 Registered as an attorney at law
Joined Law Office of Matsuo & Kosugi
(current position)
Jun. 2018 Director of the Company (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Attorney at law of Law Office of Matsuo & Kosugi
Outside Director (Member of the Audit & Supervisory
Committee), Takitoyo Co., Ltd.
Outside Director, ALCONIX CORPORATION
Outside Director, KITZ CORPORATION

Directors



Kazutoshi Kobayashi
President & CEO

Apr. 1986 Joined the Company
Mar. 1991 Director
Mar. 1995 Executive Director
Jun. 2004 Representative Director and Vice President
Jun. 2007 Representative Director and President
(current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Director of ALBION CO., LTD.



Takao Kobayashi
Senior Executive Director

Apr. 1993 Joined the Company
Jun. 1998 Director
Jun. 2013 Executive Director
Jun. 2014 Senior Executive Director (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
President & CEO of KOSÉ Cosmepot Corp.



Norika Yuasa
Director (External)

Sep. 2003 Registered as an attorney at law
Aug. 2011 Registered as an attorney at law in New York State
Sep. 2017 Part-time Professor of Waseda Law School
(current position)
Jan. 2019 Partner, Miura & Partners (current position)
Jun. 2019 Director of the Company (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Partner, Miura & Partners
Part-time Professor, Waseda Law School of Waseda
University
Outside Audit & Supervisory Board Member, TOKYO
ELECTRON DEVICE LIMITED
Outside Director, SAINT-CARE HOLDING CORPORATION



Yuko Maeda
Director (External)

Apr. 1984 Joined Bridgestone Corporation
Sep. 2003 Director of Technology Transfer Center and Intellectual
Property Manager of Intellectual Property Right
Department of Tokyo Medical and Dental University
Oct. 2009 (Concurrent) Visiting Professor of Tokyo Medical
and Dental University
Oct. 2011 (Concurrent) Specially Appointed Professor of
Kyoto Prefectural University of Medicine
May 2013 Vice President and Officer of Bridgestone Corporation
Apr. 2014 (Concurrent) Auditor of Japan Agency for Marine-
Earth Science and Technology (current position)
Jan. 2017 Director of CellBank Corp. (current position)
Mar. 2019 (Concurrent) Outside Audit & Supervisory Board
Member of Chugai Pharmaceutical Co., Ltd.
(current position)
Jun. 2020 Director of the Company (current position)
Oct. 2020 Executive Vice President (part-time), Kyushu
University (current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Auditor of Japan Agency for Marine-Earth Science and
Technology
Director of CellBank Corp.
Outside Audit & Supervisory Board Member of Chugai
Pharmaceutical Co., Ltd.
(Part-time) Executive Vice President of Kyushu University



Masanori Kobayashi
Executive Director

Mar. 2004 Joined the Company
Mar. 2008 General Manager of Corporate Strategy Office
of President Office
Mar. 2009 General Manager in charge of Medium-term
Strategy of Corporate Strategy Office of
President Office
Mar. 2010 General Manager of Global Business Div.
Mar. 2011 Executive Officer and General Manager of
Global Business Div.
Jun. 2013 Director and General Manager of Global
Business Div.
Jun. 2017 Executive Director and General Manager of
Global Business Div.
Mar. 2018 Executive Director
Mar. 2020 Executive Director and General Manager of
Marketing Headquarters (current position)

(Responsibilities) Marketing Headquarters
(Significant Concurrent Positions Outside the Company) –



Koichi Shibusawa
Executive Director

Apr. 1984 Joined the Company
Mar. 2008 Chief Director and General Manager of KOSÉ
COSMETICS CO., LTD. (CHINA) and Chief Director
and General Manager of KOSÉ COSMETICS
SALES (CHINA) CO., LTD.
Mar. 2010 General Manager of Accounting and Finance
Dept. of the Company
Mar. 2011 Executive Officer and General Manager of
Accounting and Finance Dept.
Jun. 2013 Director and General Manager of Accounting
and Finance Dept.
Jun. 2018 Executive Director (current position)

(Responsibilities)
President Office, Corporate Strategy Dept., General
Administration Dept., Legal Dept., IT Management Dept.,
Human Resources Dept., Domestic Consolidated Subsidiaries
and Associates of the Company, and Risk Management
(Significant Concurrent Positions Outside the Company)
Audit & Supervisory Board Member of KOSÉ SALES CO., LTD.
Audit & Supervisory Board Member of KOSÉ Cosmepot Corp.
Director of ALBION CO., LTD.



Noboru Matsumoto
Standing Audit & Supervisory
Board Member

Apr. 1984 Joined the Company
Mar. 2006 General Manager of Product Supply
Management Planning Demand Planning Dept.
Mar. 2007 General Manager of Cosmetics Planning Dept.
Mar. 2008 General Manager of Sales Planning Dept. of
KOSÉ SALES CO., LTD.
Mar. 2011 Chief Director and General Manager of TAIWAN
KOSÉ CO., LTD.
Mar. 2013 General Manager of General Administration
Dept. of the Company
Mar. 2018 Executive Officer
Jun. 2019 Standing Audit & Supervisory Board Member
(current position)



Shinji Tanabe
Standing Audit & Supervisory
Board Member

Apr. 1984 Joined the Company
Mar. 2015 General Manager of Technical Research
Management Dept. of R&D Laboratories
Mar. 2017 General Manager of Quality Assurance Dept.
Mar. 2019 Senior Chief Manager of Quality Assurance Dept.
Jun. 2020 Standing Audit & Supervisory Board Member
(Significant Concurrent Positions Outside the Company) –



Yusuke Kobayashi
Director

Apr. 2000 Joined ALBION CO., LTD.
Sep. 2005 Executive Officer
Sep. 2006 Director
Jun. 2014 Director of the Company (current position)
Apr. 2017 Executive Director of ALBION CO., LTD.
(current position)

(Responsibilities) –
(Significant Concurrent Positions Outside the Company)
Executive Director of ALBION CO., LTD.



Shinichi Mochizuki
Director

Apr. 1985 Joined The Mitsubishi Bank, Ltd.
Sep. 2008 General Manager of Environmental Project
Office of The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2011 General Manager of Corporate & Investment
Banking Credit Division of The Bank of
Tokyo-Mitsubishi UFJ, Ltd.
Nov. 2015 Joined the Company, General Manager of
Global Business Div.
Mar. 2016 General Manager of Global Business
Administration Dept., Global Business Div.
Mar. 2018 Executive Officer and General Manager of
Accounting and Finance Dept.
Mar. 2020 Senior Executive Officer and General Manager
of Accounting and Finance Dept.
Jun. 2021 Director and General Manager of Accounting
and Finance Dept. (current position)

(Responsibilities) Accounting and Finance Dept.
(Significant Concurrent Positions Outside the Company)
Executive Director of KOSÉ SALES CO., LTD.
Director of Tarte, Inc.



Toru Miyama
Audit & Supervisory Board
Member (External)

Apr. 1998 Registered as an attorney at law
Oct. 2006 Established Miyama Law Office
(current position)
Jun. 2019 Audit & Supervisory Board Member
(current position)

(Significant Concurrent Positions Outside the Company)
Attorney of Miyama Law Office
Outside Auditor of Ozu Corporation



Kumi Kobayashi
Audit & Supervisory Board
Member (External)

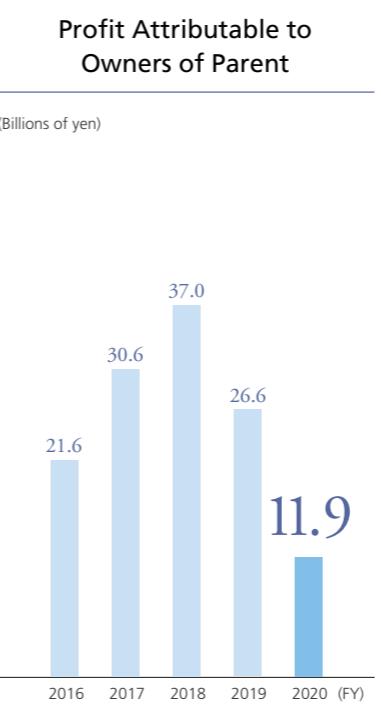
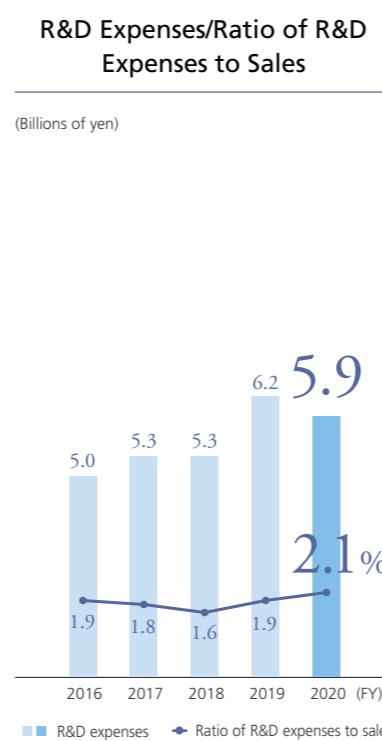
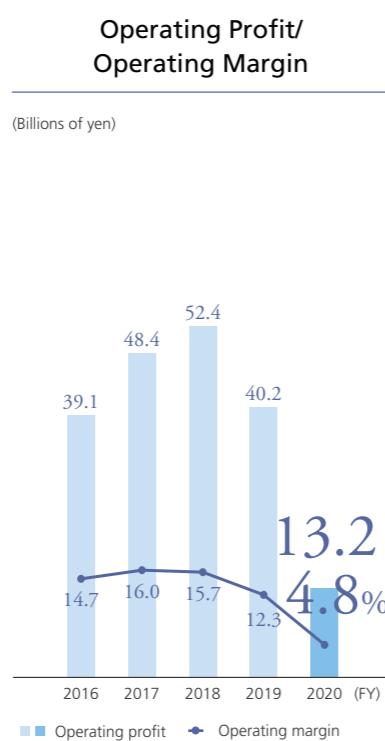
Mar. 2006 Registered as a certified public accountant
Sep. 2006 Joined GCA Corporation
Mar. 2016 Partner, Sakurai & Co. (current position)
Apr. 2017 Representative Director of Tokyo Athletes Office,
Inc. (current position)
Jun. 2019 Director of SPOKACHI, Inc. (current position)
Jun. 2020 Audit & Supervisory Board Member of the
Company (current position)

(Significant Concurrent Positions Outside the Company)
Partner, Sakurai & Co.
Representative Director of Tokyo Athletes Office, Inc.
Director of SPOKACHI, Inc.

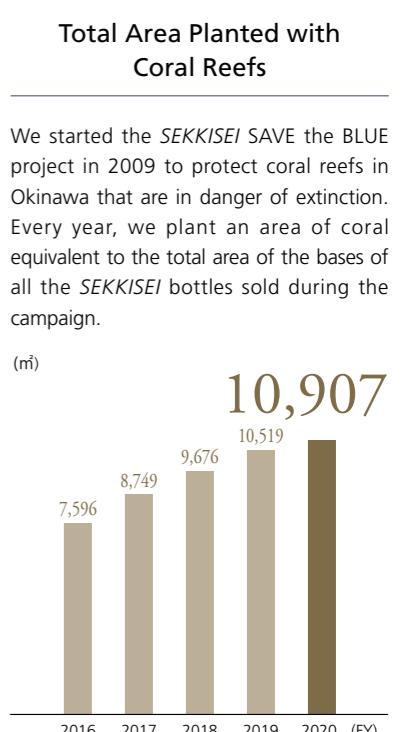
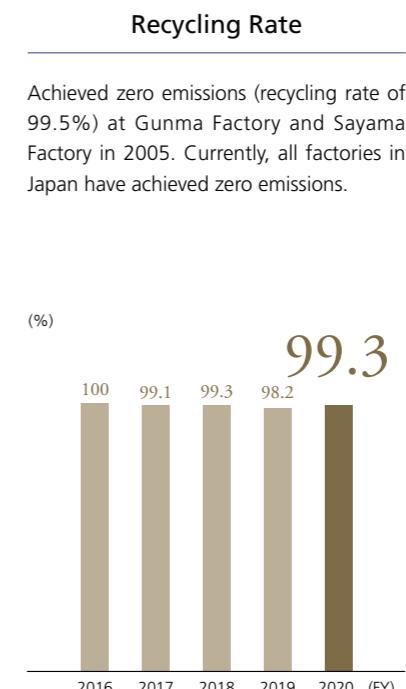
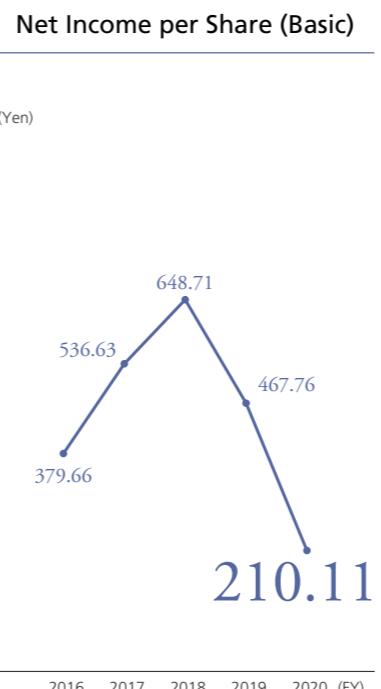
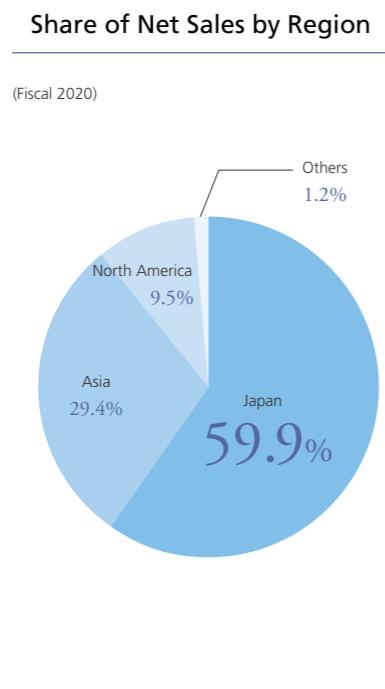
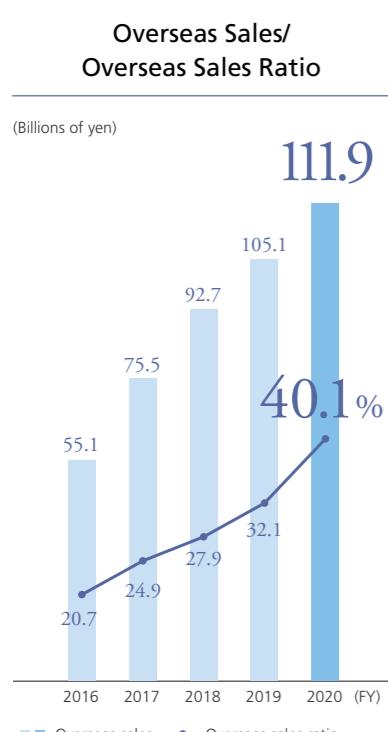
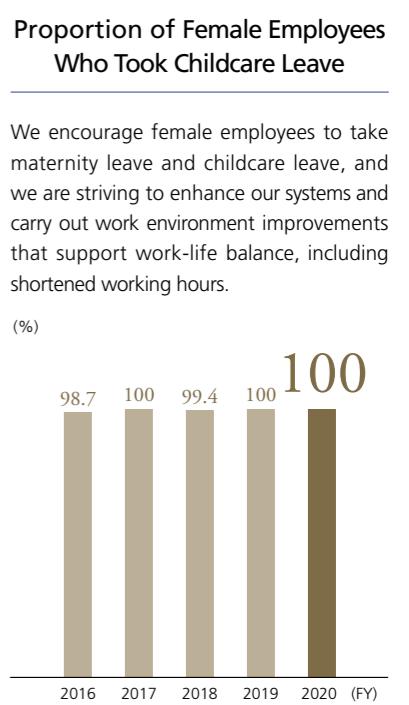
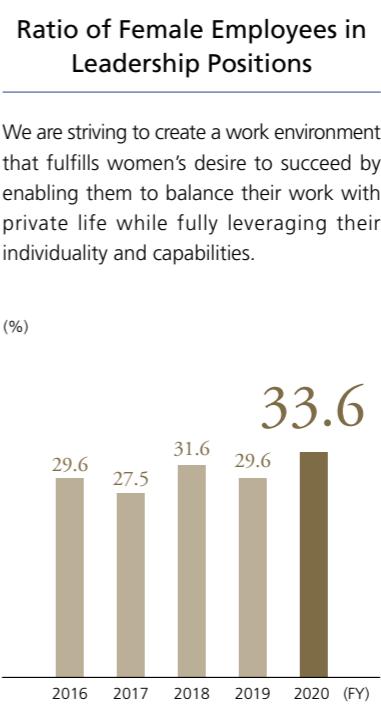
Financial and Non-Financial Highlights

KOSÉ Corporation and Consolidated Subsidiaries (Years Ended March 31)

Financial



Non-Financial



Notes:

1. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100

2. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100

Note: Includes Hsinchu Factory in Taiwan from FY2017.

10-Year Summary of Selected Financial Data

Fiscal years ended March 31	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2021
Performance:											
Net sales	279,389	327,724	332,995	303,399	266,762	243,390	207,821	190,049	170,685	166,508	2,546,613
Gross profit	201,923	239,020	244,387	221,852	199,735	183,920	157,057	143,390	128,587	124,481	1,840,515
Selling, general and administrative expenses	188,629	198,789	191,979	173,443	160,574	149,286	134,410	124,456	116,722	113,053	1,719,341
Operating profit	13,294	40,231	52,408	48,408	39,160	34,634	22,647	18,934	11,864	11,427	121,174
Interest and dividend income	455	662	651	271	294	347	315	432	342	387	4,156
Profit before income taxes	19,508	40,365	54,949	48,242	39,425	33,862	23,694	20,757	12,813	11,728	177,814
Profit attributable to owners of parent	11,986	26,682	37,004	30,611	21,657	18,655	12,057	11,132	6,720	5,021	109,251
Comprehensive income	15,228	26,703	36,427	36,908	24,643	13,197	19,688	13,756	8,656	5,484	138,802
Cash and cash equivalents at end of period	80,051	70,284	64,264	63,883	55,622	52,997	50,754	52,755	32,121	34,090	729,660
Current assets	205,031	204,438	205,241	193,164	172,074	161,351	134,476	130,391	115,067	108,051	1,868,845
Total assets	308,386	308,606	300,162	271,545	247,191	233,275	205,006	186,274	173,014	169,316	2,810,919
Current liabilities	61,608	59,676	66,107	62,821	56,033	57,766	45,207	39,877	35,206	34,261	561,553
Non-current liabilities	5,478	8,727	9,213	10,116	14,027	16,965	10,160	13,585	18,497	20,187	49,931
Shareholders' equity	218,107	219,425	203,566	176,263	159,348	143,626	129,203	120,229	111,495	108,923	1,988,032
Interest-bearing debt	8,533	1,654	1,666	1,311	1,629	1,704	1,248	1,386	5,006	5,071	30,890
Depreciation	10,379	8,838	8,018	6,977	5,821	5,744	5,293	4,679	4,607	4,882	69,273
Capital expenditures	10,188	19,286	18,500	10,065	10,770	10,445	21,143	5,750	5,599	3,821	2,105
Per-Share Data (Yen):											
Net income (basic)	210.11	467.76	648.71	536.63	379.66	327.04	211.37	195.15	117.22	86.51	1
Net assets	3,952.94	3,920.41	3,660.77	3,227.07	2,871.60	2,583.76	2,455.34	2,188.59	1,964.85	1,858.91	36
Cash dividends	120.00	190.00	180.00	148.00	110.00	94.00	64.00	48.00	41.00	40.00	1
Financial Ratios (%):											
Shareholders' equity ratio	73.1	72.5	69.6	68.1	66.3	63.2	68.3	67.0	64.8	63.7	
ROA ²	4.5	13.4	18.6	18.8	16.4	16.0	11.7	10.8	7.1	7.0	
ROE ³	5.3	12.3	18.8	17.6	13.9	13.0	9.1	9.4	6.1	4.7	
Gross profit margin	72.3	72.9	73.4	73.1	74.9	75.6	75.6	75.4	75.3	74.8	
Operating margin	4.8	12.3	15.7	16.0	14.7	14.2	10.9	10.0	7.0	6.9	
Profit attributable to owners of parent to net sales	4.3	8.1	11.1	10.1	8.1	7.7	5.8	5.9	3.9	3.0	
Payout ratio	57.1	40.6	27.7	27.6	29.0	28.7	30.3	24.6	35.0	46.2	

Notes: 1. The U.S. dollar amounts are translated, for convenience only, at the rate of ¥109.7 to US\$1.00, the approximate rate of exchange on March 31, 2021.

2. ROA = (Operating profit + Interest and dividend income) / Yearly average of total assets × 100

3. ROE = Profit attributable to owners of parent / (Yearly average of total shareholders' equity + Yearly average of total valuation, translation adjustments and other) × 100

3-Year Summary of Selected Non-Financial Data

KOSÉ Corporation and Consolidated Subsidiaries (Years Ended March 31)



For People: Social KPIs

Diversity and Inclusion	FY2018	FY2019	FY2020	Scope
Number of employees (female/male)	14,066	11,760/2,300	11,889/2,332	KOSÉ Group ¹
Ratio of female employees in administrative positions (%)	24.2	24.7	26.6	KOSÉ Group
Ratio of female employees in leadership positions ² (%)	31.6	29.6	33.6	KOSÉ Group
Average length of service (years)	13.2	13.0	11.9	Domestic Group companies ⁴
Number of new graduates hired to regular full-time positions (female/male)	45/28	31/22	71/47	Domestic Group companies ⁴
Employee turnover among new graduates within 3 years (%)	0	4.7	10.0	Domestic Group companies ⁴
Turnover rate for administrative and non-administrative employees (%)	—	—	2.3	Domestic Group companies
Turnover rate for Beauty Consultants (%)	—	—	8.5	Domestic Group companies
Turnover rate for regular, full-time employees (%)	—	—	6.3	Domestic Group companies
Annual working hours (average hours/employee)	—	—	1,643.5	Domestic Group companies ⁵
Annual overtime (average hours/employee)	—	—	44.6	Domestic Group companies
Ratio of paid leave taken (%)	56.3	63.7	64.4	Domestic Group companies ⁴
Proportion of employees who took childcare leave (female/male) (%)	99.4/0	100.0/3.0	100.0/52.3	Domestic Group companies ⁴
Return rate following childcare leave (female/male) (%)	83.3/0	93.0/100.0	98.7/100.0	Domestic Group companies ⁴
Number of employees working shortened hours for childcare	139	189	475	Domestic Group companies ⁴
Number of employees taking extended leave for family care	—	—	4	Domestic Group companies
Number of employees taking paid leave for family care	2	0	5	Domestic Group companies ⁴
Number of employees working shortened hours for family care	0	1	5	Domestic Group companies ⁴
Ratio of employees with disabilities (%)	2.28	2.29	2.21	Domestic Group companies ⁶
Number of rehired employees	189	207	251	Domestic Group companies ⁴
Number of occupational accidents resulting in a leave of absence	11	11	19	Domestic Group companies ⁴
Number of occupational accidents resulting in death	0	0	0	Domestic Group companies ⁴
Quality of Life Improvement	FY2018	FY2019	FY2020	Scope
Number of general participants in sports events	61,605	24,678	470 ⁷	KOSÉ Corporation
Support for cutaneous porphyria patients (people/number of products provided)	8/92	8/71	4/20	KOSÉ Corporation
Support for Women and Education	FY2018	FY2019	FY2020	Scope
Number of schools accepted for company tours ³ (schools/students)	22/162	11/107	0 ⁷	KOSÉ Corporation
Number of students provided with tuition support at girls' junior high school in Tanzania (cumulative total)	7	14	21	KOSÉ Corporation

Notes: 1. KOSÉ Group: 41 consolidated companies including KOSÉ Corporation 2. Leadership position: A position with subordinates, or equivalent

3. Company tours: Tours given in response to requests from junior high schools and high schools as part of social learning

4. Scope expanded to all domestic Group companies as of FY2020 5. Including paid leave, maternity leave, injury and sick leave, etc.

6. From fiscal 2020, figures for six consolidated companies that are required to hire people with disabilities.

7. In FY2020, events were reduced or suspended to prevent the spread of COVID-19.



For the Earth: Environmental KPIs

Energy	FY2018	FY2019	FY2020	Scope
SCOPE 1	7,793.7	7,237.1	7,375.1	KOSÉ Group
CO ₂ (greenhouse gas) emissions (t-CO ₂)	Market-based	17,875.6	16,770.8	16,185.0 KOSÉ Group
SCOPE 2	Location-based	17,283.5	15,691.8	16,204.0 KOSÉ Group
SCOPE 3		977,588.6	858,259.2	668,951.0 KOSÉ Group
Electricity consumption (MWh)		36,587.2	35,021.2	35,630.2 KOSÉ Group
Portion generated using renewable energy (MWh)		0	0	1,992.6 KOSÉ Group
Total energy consumption (GJ)		483,351.4	461,189.0	488,544.9 KOSÉ Group
City gas consumption (1,000 m ³)		2,113.7	1,921.3	2,071.6 KOSÉ Group
LP gas consumption (1,000 m ³)		17.9	11.6	13.8 KOSÉ Group
Gasoline consumption (kL)		973.8	871.3	770.4 KOSÉ Group
Fuel oil consumption (kL)		210.0	238.0	280.0 KOSÉ Group
Diesel oil consumption (kL)		4.9	13.1	9.3 KOSÉ Group
Kerosene consumption (kL)		143.7	135.6	104.7 KOSÉ Group
Atmospheric Emissions	FY2018	FY2019	FY2020	Scope
NO _x emissions (tons)		3.0	5.2	5.1 KOSÉ Corporation Production Department
SO _x emissions (tons)		2.0	0.1	0.4 KOSÉ Corporation Production Department
Waste	FY2018	FY2019	FY2020	Scope
Volume of waste (tons)		3,177	2,950	3,134 KOSÉ Group production departments
Recycling rate (%)		99.3	98.2	99.3 KOSÉ Group production departments
Water Resources	FY2018	FY2019	FY2020	Scope
Water intake (1,000 m ³)		356.9	305.0	290.2 KOSÉ Group production departments
Wastewater (1,000 m ³)		218.1	199.2	198.9 KOSÉ Group production departments
Water intake intensity (m ³ /production volume in dozens)		0.01685	0.01639	0.01574 KOSÉ Group production departments
Water intake intensity (% change YoY)	(base year)	-2.7	-4.0	KOSÉ Group production departments
Pollution load: BOD (tons)		0	8.5	8.6 KOSÉ Corporation Production Department
Pollution load: SS (tons)		0	5.4	3.1 KOSÉ Corporation Production Department
Pollution load: n-Hex (tons)		0	0.5	1.2 KOSÉ Corporation Production Department
Number of violations of water intake/drainage laws and regulations		0	0	0 KOSÉ Group production departments
Environmental Contribution and Biodiversity Conservation	FY2018	FY2019	FY2020	Scope
SAVE the BLUE project area planted with coral reefs (m ² /number of corals planted)	926/1,519	843/1,383	388/636	KOSÉ Corporation Cumulative to FY2020: 10,907/17,978

▶ See the KOSÉ website for other non-financial information and data. <https://www.kose.co.jp/company/en/sustainability/data/>

Principal Group Companies

(As of March 31, 2021)

Production Related Subsidiaries

Company Name	Country/Region	Paid-in Capital	Ownership
ADVANCE CO., LTD.	Japan	JPY 90 million	100.0%
KOSÉ INDUSTRIES CO., LTD.	Japan	JPY 100 million	100.0%
ALBION CO., LTD.	Japan	JPY 760 million	79.5%
TAIWAN KOSÉ CO., LTD.	Taiwan	TWD 180 million	100.0%

Marketing and Services Related Subsidiaries

Company Name	Country/Region	Paid-in Capital	Ownership
KOSÉ SALES CO., LTD.	Japan	JPY 300 million	100.0%
KOSÉ COSMENIENCE CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ Cosmeport Corp.	Japan	JPY 30 million	100.0%
KOSÉ PROFESSIONAL CO., LTD.	Japan	JPY 10 million	100.0%
Dr. PHIL COSMETICS INC.	Japan	JPY 40 million	100.0%
KOSÉ PROVISION CO., LTD.	Japan	JPY 30 million	100.0%
KOSÉ Travel Retail Co., Ltd.	Japan	JPY 10 million	100.0%
KOSÉ INSURANCE SERVICE CO., LTD.	Japan	JPY 10 million	100.0%
COSME LABO CO., LTD.	Japan	JPY 10 million	100.0%
KOSÉ MILBON COSMETICS CO., LTD.	Japan	JPY 10 million	51.0%
KOSÉ Maruho Pharma Co., Ltd.	Japan	JPY 100 million	51.0%
KOSÉ (HONG KONG) CO., LTD.	Hong Kong	HKD 15 million	100.0%
KOSÉ COSMETICS SALES (CHINA) CO., LTD.	China	CNY 235 million	100.0%
KOSÉ SINGAPORE PTE. LTD.	Singapore	SGD 1 million	100.0%
KOSÉ KOREA CO., LTD.	South Korea	KRW 25,000 million	100.0%
KOSÉ (THAILAND) CO., LTD.	Thailand	THB 5 million	49.0%
KOSÉ (MALAYSIA) SDN. BHD.	Malaysia	MYR 1 million	100.0%
KOSÉ CORPORATION INDIA PVT. LTD.	India	INR 700 million	100.0%
PT. INDONESIA KOSÉ	Indonesia	IDR 10,000 million	100.0%
KOSÉ AMERICA, INC.	U.S.A.	USD 2 million	100.0%
KOSÉ BRASIL COMÉRCIO DE COSMÉTICOS LTDA.	Brazil	USD 1 million	100.0%
TARTE, INC.*	U.S.A.	USD 159	100.0%
ALBION COSMETICS (AMERICA), INC.	U.S.A.	USD 2 million	79.5%
ALBION COSMETICS (HK) LTD.	Hong Kong	HKD 71 million	79.5%
ALBION COSMETICS (SHANGHAI) CO., LTD.	China	CNY 37 million	79.5%
ALBION COSMETICS (TAIWAN) CO., LTD.	Taiwan	TWD 60 million	79.5%

* KOSÉ acquired all remaining outstanding shares of Tarte, Inc. in June 2020, making it a wholly owned subsidiary.

Corporate Information

(As of March 31, 2021)

Corporate Name: KOSÉ Corporation

Founding: March 1946

Incorporation: June 1948

Head Office: 3-6-2, Nihonbashi, Chuo-ku,
Tokyo 103-8251, Japan
Tel: +81-3-3273-1511

Website: <https://www.kose.co.jp>

IR Section: <https://www.kose.co.jp/company/en/ir/>

Sustainability Section: <https://www.kose.co.jp/company/en/sustainability/>

Number of Employees (Consolidated): 14,403

Fiscal Year-End: March 31

Stock Information

(As of March 31, 2021)

Common Stock (Authorized): 200,000,000 shares

Common Stock (Issued): 60,592,541 shares

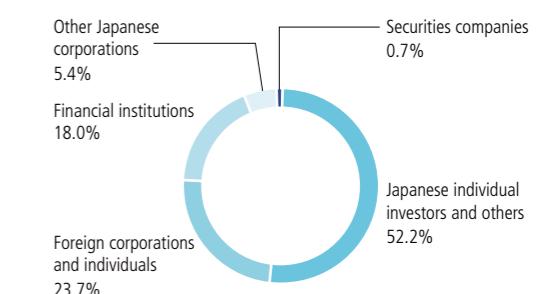
Capital: ¥4,848 million

Number of Shareholders: 13,179

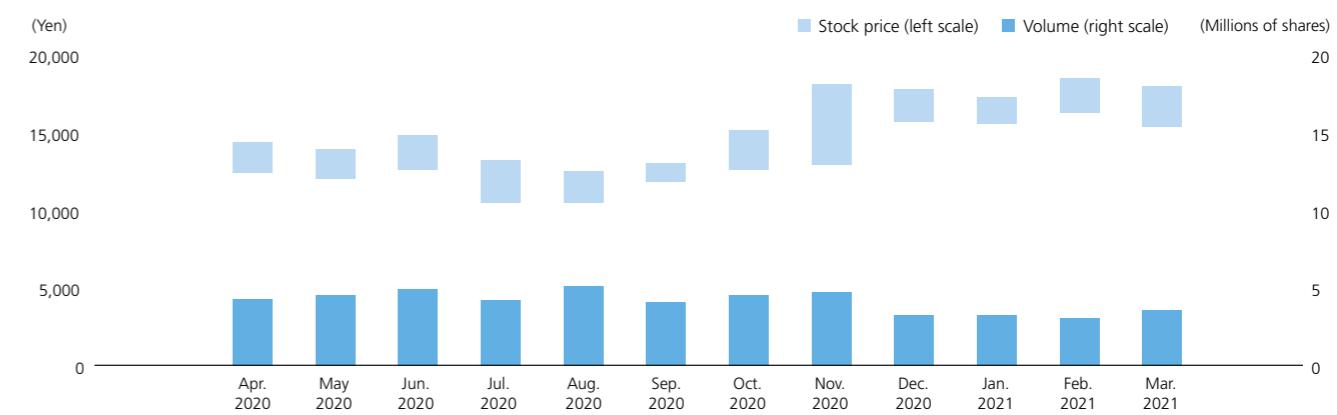
Stock Listing: Tokyo Stock Exchange,
First Section (Code: 4922)

Transfer Agent: Mitsubishi UFJ Trust and
Banking Corporation

Distribution of Shares



Stock Data





3-6-2, Nihonbashi, Chuo-ku, Tokyo 103-8251, Japan
Tel: +81-3-3273-1511

<https://www.kose.co.jp>

<https://www.kose.co.jp/company/en/ir/>

<https://www.kose.co.jp/company/en/sustainability/>